Securing Your World

8 March 2018

G4S plc
2017 Full Year Results

G4S Chief Executive Officer Ashley Almanza said,

"G4S has delivered another year of profitable growth and good cash generation, enabling us to invest in our growth, technology and productivity programmes and, at the same time, strengthen our balance sheet. The outlook for the Group is positive: our strong market positions, commercial discipline, growing technology-related revenues, positive cash generation and on-going productivity programmes provide substantial confidence that the Group is well positioned to deliver a strong performance over the next three years."

Operational and financial highlights – Core businesses:

- Profitable growth: PBITA[b] +4.2% (10.9% ex Middle East & India)
- Strong growth in technology-related security revenues: +11.4%
- Growing deployment of Cash solutions technology: 19,500 locations +30%
- Disciplined growth reflected in improving margins: 6.7% (2016: 6.6%)
- Productivity gains on track: £90m to £100m by 2020
- Operating cash conversion: 106% (2016: 133%)
- Financial strength: net debt to EBITDA[d] of 2.4x (2016: 2.8x)
- Final Dividend +5%: 6.11p per share (2016: 5.82p); Full year 9.70p per share (2016: 9.41p)

Group results

	Core Businesses[a] Constant Rates			Statutory Results[e] Actual Rates		
	2017	2016	%	**2017**	2016	%
Revenue	**£7,427m**	£7,195m	+3.2	**£7,828m**	£7,590m	+3.1
Adjusted PBITA[b]	**£496m**	£476m	+4.2	**£491m**	£461m	+6.5
Adjusted PBITA[b] margin	**6.7%**	6.6%	-	**6.3%**	6.1%	-
Earnings[c]	**£277m**	£262m	+5.7	**£236m**	£198m	+19.2
Earnings Per Share[c]	**17.9p**	16.9p	+5.9	**15.2p**	12.8p	+18.8
Operating Cash Flow	**£527m**	£633m	(16.7)	**£488m**	£615m	(20.7)

[a] See page 4 for a reconciliation of Group results.
[b] Adjusted PBITA is explained and defined on page 30 in the basis of preparation of Alternative Performance Measures.
[c] Earnings is defined as profit attributable to equity shareholders of G4S plc. Earnings and earnings per share ("EPS") from core businesses exclude specific and other separately disclosed items, as explained on page 31, and are reconciled to statutory earnings and EPS on page 4.
[d] Net debt to EBITDA, identified as net debt to Adjusted EBITDA throughout the rest of the full year results announcement, is an Alternative Performance Measure as defined on page 31 and is adjusted to exclude specific and separately disclosed items.
[e] See page 19 for the basis of preparation of statutory results.

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 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
- Customer service excellence
- Technology and innovation,
- Productivity and operational excellence
- Financial and commercial discipline

Since 2013, revenues from core businesses have grown by 17%, adjusted earnings per share by 48%, and the Group has delivered operating cash flow of £2.5 billion. The Group's strong cash flow has enabled us to invest in growth, pay dividends of more than £700 million and, at the same time, strengthen the Group's financial position, reducing net debt to Adjusted EBITDA to 2.4x at the end of 2017.

Over the same period we have created innovative new products and services and have greatly improved safety performance for our employees.

To realise the substantial revenue potential inherent in our strong market positions, we plan to continue investing in product and service innovation and in the sales and business development capability needed to maintain a pipeline of between £6bn and £7bn.

Organisation

Our portfolio programme is substantially complete and we now have a more focused business. Over the past four years we have invested in sales, business development, technology and support and control systems and resources. We now have sufficient strength and depth in these areas to enable us to implement the next phase of our organisational development and with effect from 1 January 2018 we have reorganised the group-wide management of our core businesses.

The principal features of this change are:

- Creation of a Global Cash Solutions division
- Consolidation of our Secure Solutions businesses into four regions: Americas, Europe & Middle East, Africa and Asia

Our new organisation will enable us to strengthen further our strategic, commercial and operational focus in each of our core service lines. We will continue to build and utilise shared services for the provision of efficient and fit-for-purpose support functions to all businesses and this element of our organisational development has significant unrealised potential.

Business Segments, Service Lines and Regions

The Group has two business segments, **Secure Solutions** and **Cash Solutions**, each with a number of key service lines.

Secure Solutions

- Security Solutions incorporating risk consulting, manned security, software and systems and integrated security solutions
- Facilities Management (FM): including integrated security and FM services
- Care & Justice services including custody, health, rehabilitation and transportation

Security Solutions and FM (77% of revenues[a]): G4S delivers industry-leading security services and FM in 90 countries around the world. Building on our established security services, we have invested in developing the capabilities to design and deliver integrated security solutions that combine G4S's people and security technology to offer our customers more efficient and valuable security solutions. This is paying dividends with a growing technology-related revenue base. We believe that the ability to design and deliver technology-enabled security solutions strengthens our customer-value proposition and provides G4S with the opportunity to increase the longevity and grow the value of existing customer relationships, win new business and earn higher margins.

Today more than £2.45 billion (2016: £2.2 billion) of our revenues are derived from technology-related security services and we expect this to continue to grow. Technology-related security revenues are from the sale of security technology (£0.7 billion) and security solutions which combine our people with technology (technology-enabled security £1.75 billion). The global market for security systems integration is estimated to be around $80 billion by 2021[b].

Our Care & Justice services (7% of revenues[a]), are concentrated in the UK and Australia where we have built significant knowledge and expertise in delivering complex public services. Our strategic focus is on selective, profitable growth and operational delivery. We expect improved cash generation from our Care & Justice services over the next 18-24 months as we continue to be highly selective in bidding and negotiating for new business and as certain legacy contracts expire or otherwise improve.

Cash Solutions

- Cash in transit, cash processing and ATM services
- Smart safes and cash-recycling technology
- Cash-management software and services

In our Cash Solutions business (16% of revenues[a]), we provide software, hardware, systems and services that improve the security, control and efficiency of our customers' cash handling. We believe that there is a substantial and valuable opportunity to extend and grow our new products and services within and across our global markets reinforced by the creation of a new Global Cash Solutions division. These new products are being adopted by banks and some of the world's leading retailers and we expect this market to continue to grow strongly.

At the end of December 2017 we had over 19,500 (2016: 14,600) cash automation locations, a 30% increase, across North America, Europe, Asia Pacific and Africa. Industry research data indicates that the addressable market for smart safes and recycling solutions is around £20-25 billion per annum[c].

Financial Outlook

The outlook for the Group is positive: our strong market positions, commercial discipline, growing technology-enabled revenues, positive cash generation and on-going productivity programmes provide substantial confidence that the Group is well positioned to deliver a strong performance over the next three years. To realise this potential G4S is investing in:

- Sales, technology and new products, services and solutions to support our aim of growing revenues from core businesses by an average of 4-6% per annum.
- Restructuring and efficiency programmes to deliver recurring operating gains of £70 million to £80 million by 2020, through efficient organisation design and leaner processes. Additional refinancing gains of around £20 million are also anticipated by 2020. A portion of these gains will be re-invested in growth, with the majority expected to benefit the bottom line.

We intend to remain soundly financed with average operating cash flow conversion of more than 100% of Adjusted PBITA and a net debt to Adjusted EBITDA ratio of less than 2.5x. Priorities for excess cash will be investment, dividends and, in the near term, further leverage reduction. Following the achievement of the Group's leverage-reduction target, the directors propose a 5% increase in the final dividend to 6.11p reflecting the board's confidence in the Group's performance and prospects. Our dividend policy is to increase the dividend in line with the long-term growth in earnings.

[a] Results from core businesses are reconciled to statutory results on page 4, and an explanation of Alternative Performance Measures ("APMs") is provided on page 30.
[b] Physical Security Systems Integration Report, IHS Markit 2017.
[c] Source: Company research and 3rd party data including RBR, Panteia, Euromonitor International, World Retail Data and Statistics.

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2017 (at 2017 average exchange rates)

£m	Core businesses[a]	Onerous contracts	Portfolio businesses[b]	Restructuring	Acquisition-related amortisation and other[c]	Statutory
Revenue	**7,427**	119	282			**7,828**
Adjusted PBITA[a]	**496**	-	(5)			**491**
Profit before tax	**383**	(19)	(7)	(20)	49	**386**
Tax	**(92)**	4	(7)	4	(37)	**(128)**
Profit after tax	**291**	(15)	(14)	(16)	12	**258**
Earnings[d]	**277**	(15)	(15)	(16)	5	**236**
EPS[d]	**17.9p**	(1.0)p	(1.0)p	(1.0)p	0.3p	**15.2p**
Operating cash flow[e]	**527**	(13)	(7)	(19)	-	**488**

Year ended 31 December 2016 (at 2017 average exchange rates)

£m	Core businesses[a]	Onerous contracts	Portfolio businesses[b]	Restructuring	Acquisition-related amortisation and other[c]	Adjusted statutory[f]
Revenue	**7,195**	115	617			**7,927**
Adjusted PBITA[a]	**476**	-	6			**482**
Profit before tax	**375**	-	1	(13)	(52)	**311**
Tax	**(90)**	-	(3)	3	9	**(81)**
Profit after tax	**285**	-	(2)	(10)	(43)	**230**
Earnings[d]	**262**	-	(3)	(10)	(42)	**207**
EPS[d]	**16.9p**	-	(0.2)p	(0.6)p	(2.7)p	**13.4p**
Operating cash flow[e]	**633**	(10)	10	(18)	-	**615**

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

£m	Core businesses[a]	Onerous contracts	Portfolio businesses[b]	Restructuring	Acquisition-related amortisation and other[c]	Statutory
Revenue	**6,896**	112	582			**7,590**
Adjusted PBITA[a]	**455**	-	6			**461**
Profit before tax	**354**	-	1	(12)	(47)	**296**
Tax	**(85)**	-	(2)	2	9	**(76)**
Profit after tax	**269**	-	(1)	(10)	(38)	**220**
Earnings[d]	**247**	-	(2)	(10)	(37)	**198**
EPS[d]	**16.0p**	-	(0.1)p	(0.6)p	(2.4)p	**12.8p**
Operating cash flow[e]	**633**	(10)	10	(18)	-	**615**

[a] Results from core businesses, presented at constant exchange rates other than for operating cash flow, exclude results from portfolio businesses identified for sale or closure and from onerous contracts. For the Group's 2017 results, continuing businesses have been renamed 'core' businesses to provide a clear distinction from the Group's statutory results from continuing operations. In addition, PBITA has been renamed 'Adjusted PBITA' to reflect the exclusion of specific and other separately disclosed items set out on page 10. Core businesses and Adjusted PBITA are defined and calculated in exactly the same way as continuing businesses and PBITA were previously defined and calculated. The basis of preparation of results of core businesses and an explanation of Alternative Performance Measures, including Adjusted PBITA, are provided on page 30.

[b] Portfolio businesses that remain part of the Group, having not yet been sold or closed, contributed £158 million revenue (2016: £167 million at 2017 average exchange rates; £155 million at 2016 average exchange rates) and a loss of £9 million to Adjusted PBITA (2016: loss of £21 million at 2017 average exchange rates; £20 million at 2016 average exchange rates).

[c] Other includes net specific items (other than those presented within onerous contracts), net profit on disposal/closure of subsidiaries/businesses, the results of discontinued operations and, in 2016, goodwill impairment. The associated tax impact of these net specific items is recorded within the tax charge within "other". In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are also included within the tax charge within "other". The full accounting policy regarding specific and other separately disclosed items is provided on page 31.

[d] Earnings is defined as profit attributable to equity shareholders of G4S plc. Adjusted Earnings and Adjusted Earnings per share ("EPS") from core businesses exclude specific and other separately disclosed items, and likewise the tax impact of those specific and other separately disclosed items and the impact of tax-specific charges or credits unrelated to those specific and other separately disclosed items, as explained on page 31. Adjusted Earnings and Adjusted EPS from core businesses are reconciled to statutory earnings and statutory EPS above.

[e] Operating cash flow is defined on page 31 and is stated after pension deficit contributions of £40 million (2016: £39 million) and for the year ended 31 December 2016 is presented at 2016 average exchange rates. Operating cash flow from core businesses is reconciled to the Group's movements in net debt on page 33. Statutory operating cash flow is net cash flow from operating activities of continuing operations.

[f] The 'adjusted statutory' figures represent the comparative 2016 statutory results translated at 2017 average exchange rates (other than for operating cash flow) but should not be considered as or used in place of the Group's statutory results.

BUSINESS REVIEW
RESULTS OF CORE BUSINESSES BY SERVICE LINE AND REGION

The following Business Review focuses primarily on the G4S plc Group's ("the Group's") core businesses, as these represent the Group's long-term operations, whereas onerous contracts and portfolio businesses do not. In addition, throughout the Business Review, to aid comparability the 2016 prior-year results are presented on a constant-currency basis by applying 2017 average exchange rates, unless otherwise stated.

RESULTS OF CORE BUSINESSES BY SERVICE LINE

Secure Solutions At 2017 average exchange rates	**Revenue 2017 £m**	Revenue 2016 £m	YoY %	**Adjusted PBITA 2017 £m**	Adjusted PBITA 2016 £m	YoY %	**Adjusted PBITA margin 2017 %**	Adjusted PBITA margin 2016 %
Emerging markets	**2,343**	2,277	2.9%	**143**	149	(4.0%)	**6.1%**	6.5%
Developed markets	**3,875**	3,736	3.7%	**242**	225	7.6%	**6.2%**	6.0%
Total	**6,218**	6,013	3.4%	**385**	374	2.9%	**6.2%**	6.2%

Our services range from conventional manned security offerings to risk consulting, highly sophisticated security technology, security systems and integrated solutions. We are investing in the resources and capabilities 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. Our technology-related security revenues for the Group grew by 11.4% to £2.45bn (2016: £2.2bn).

Our Secure Solutions business segment also includes our Care & Justice and FM services. Our Care & Justice business is concentrated in the UK and Australia and provides custody, detention, rehabilitation, education and transport services, typically in complex operating environments.

As previously reported, our secure solutions businesses faced challenging trading conditions in the Middle East & India region and this partially offset the good rates of profitable growth in our other markets. Overall, the Secure Solutions businesses delivered 3.4% growth in revenue and 2.9% growth in Adjusted PBITA.

Cash Solutions At 2017 average exchange rates	**Revenue 2017 £m**	Revenue 2016 £m	YoY %	**Adjusted PBITA 2017 £m**	Adjusted PBITA 2016 £m	YoY %	**Adjusted PBITA margin 2017 %**	Adjusted PBITA margin 2016 %
Emerging markets	**388**	414	(6.3%)	**55**	59	(6.8%)	**14.2%**	14.3%
Developed markets	**821**	768	6.9%	**105**	93	12.9%	**12.8%**	12.1%
Total	**1,209**	1,182	2.3%	**160**	152	5.3%	**13.2%**	12.9%

Revenues in Cash Solutions grew 2.3% and Adjusted PBITA rose by 5.3%.

The overall growth in revenue and profit was driven by strong volume growth, particularly in our Retail Cash Solutions business in North America, Cash360 in Europe and Deposita in Africa and Asia. At the end of January 2018, we had an installed base of over 19,500 cash automation solutions at retail and banking customers around the world, a 30% increase compared with 14,600 in 2016. The strong growth in Adjusted PBITA in our developed markets reflects the benefits of our systematic restructuring and productivity programmes which have been implemented over the past three years, partially offset by investment in sales and business development.

The robust growth in developed markets was partially offset by the effect of weak trading in our Middle East & India region, where our businesses have been adjusting to the challenging trading environment and where we expect trading to begin to stabilise during 2018.

BUSINESS REVIEW
RESULTS OF CORE BUSINESSES BY REGION

At 2017 average exchange rates	**Revenue 2017 £m**	Revenue 2016 £m	YoY %	Organic growth[a] %	**Adjusted PBITA 2017 £m**	Adjusted PBITA 2016 £m	YoY %	**Adjusted PBITA margin 2017 %**	Adjusted PBITA margin 2016 %
Africa	**457**	431	6.0%	6.0%	**46**	43	7.0%	10.1%	10.0%
Asia Pacific	**736**	715	2.9%	2.9%	**65**	60	8.3%	8.8%	8.4%
Latin America	**693**	655	5.8%	5.8%	**29**	24	20.8%	4.2%	3.7%
Middle East & India	**845**	890	(5.1%)	(5.1%)	**58**	81	(28.4%)	6.9%	9.1%
Emerging markets	**2,731**	2,691	1.5%	1.5%	**198**	208	(4.8%)	7.3%	7.7%
Europe	**1,356**	1,305	3.9%	3.9%	**104**	91	14.3%	7.7%	7.0%
North America	**2,006**	1,892	6.0%	6.0%	**123**	115	7.0%	6.1%	6.1%
UK & Ireland	**1,334**	1,307	2.1%	2.1%	**120**	112	7.1%	9.0%	8.6%
Developed markets	**4,696**	4,504	4.3%	4.3%	**347**	318	9.1%	7.4%	7.1%
Total Group before corporate costs	**7,427**	7,195	3.2%	3.2%	**545**	526	3.6%	7.3%	7.3%
Corporate costs					**(49)**	(50)	2.0%		
Total Group	**7,427**	7,195	3.2%	3.2%	**496**	476	4.2%	6.7%	6.6%

[a] Organic growth is calculated based on revenue growth at 2017 average exchange rates, adjusted to exclude the impact of any acquisitions or disposals during the current or prior year.

AFRICA

Revenue growth across the Africa region was 6.0%, with growth in both secure solutions and cash solutions. Cash solutions revenue growth benefited from continued strong growth in cash volumes and retail solutions such as Deposita, which uses technology and software to service the retail and banking sectors. Adjusted PBITA increased by 7.0%.

New and renewed contracts won across the region include manned security, security technology and systems and risk management services work for multi-lateral agencies.

Our sales and business development opportunities in Africa are broad based, covering more than 20 countries and key sectors such as aviation, banking, mining, consumables, telecommunications and oil and gas.

ASIA PACIFIC

Revenue growth in Asia Pacific was 2.9% and Adjusted PBITA increased by 8.3%, reflecting the benefits of our productivity programmes and a favourable revenue mix.

We secured new and renewed contracts across a broad range of sectors including financial services, consumer products and government services in Australia. We won our 100th customer for retail and banking cash solutions in the region in February 2018.

Across the region we have a diverse set of new business opportunities in security, cash management and, in Australia, care and justice services.

LATIN AMERICA

Our revenue growth across Latin America markets was 5.8%, principally driven by growth in Brazil, Argentina and Colombia.

We improved productivity across the region, particularly in Brazil, and Adjusted PBITA increased by 20.8%.

During 2017, we continued expanding our footprint and leveraging our expertise, winning new contracts in manned security and cash solutions for the banking, retail and mining sectors. We have won and retained US Embassy contracts, renewing the contracts for Barbados, Grenada, Trinidad & Tobago and Colombia and adding Argentina, Paraguay, Saint Lucia, Martinique, Antigua and Peru. The focus on selling Integrated Solutions brought significant improvements for the technology business.

Whilst competition remains robust and wage inflation needs proactive management, demand for our security and FM services is expected to be positive during 2018 and our businesses are well positioned in our key markets.

MIDDLE EAST & INDIA

Revenue in the Middle East & India region was down 5.1% on the prior year as the macro-economic and fiscal environment weighed on trading in the Gulf. As previously reported, our business in India was adversely impacted in 2017 by the effects of demonetisation and by changes to regulatory processes.

Adjusted PBITA was 28.4% lower across the region, reflecting the decline in revenue in businesses with high operating leverage. Our businesses in the region have been adjusting to the challenging trading environment and we expect trading to begin to stabilise during 2018.

EUROPE

Our sustained investment in Europe in sales, technology and service continued to produce positive results, and revenues rose by 3.9% across all service lines. Adjusted PBITA rose by 14.3% in the region, reflecting the compound benefits of revenue growth and successful productivity programmes.

We established a technology academy in Denmark where our growing technology business has become one of our technology centres of excellence, supporting product and service development across the region.

In Cash Solutions, we continued to grow our annuity revenues from CASH360 and won a large new CASH360 contract for one of the largest retailers in the Netherlands, to be implemented from Q1 2018. We have also recently launched a new service in Europe, G4S Pay, which includes an electronic payment module with CASH360 and is in over 400 locations.

We succeeded in winning new security contracts for aviation and retail customers, electronic monitoring equipment, systems security for infrastructure and cash management and we retained some of the largest contracts in the region through successful rebids in the aviation and banking sectors. Our European pipeline has a large number of opportunities across a diversified range of customer segments.

NORTH AMERICA

In North America, our revenues grew by 6.0%, with good growth rates in both our cash solutions and secure solutions businesses.

In Cash Solutions, G4S's technology-enabled cash management services are now delivered to over 6,900 retail locations across the United States, including over 5,000 in large store formats where G4S has established a market leading position. We are expanding the number of locations in Canada and believe that our retail cash solution offers unique customer value and this is reflected in a substantial pipeline and active pilot programmes.

Our Secure Solutions business produced revenue growth of around 5% as our integrated security solutions continued to find traction in the market place. This rate of revenue growth was constrained as we continued to apply commercial discipline in those market locations facing tight labour conditions. In North America we continue to monitor and manage wage inflation, particularly in Canada following recent minimum-wage increases. Overall in the United States we are managing wage inflation pressure through productivity improvements and commercial discipline, and we believe that increased unit labour costs are encouraging customers to move to our integrated security solutions combining G4S security professionals with technology. We continue to see good demand for our products and services across the US and Canada.

Adjusted PBITA increased by 7.0%, helped by a favourable revenue mix and efficiency gains, partially offset by the cost of investing in capacity to support our growing integrated secure solutions and retail solutions businesses.

UK & IRELAND

Revenue in the UK & Ireland increased by 2.1%, with a solid performance in our core businesses, including double-digit growth in our security technology business. The deployment of integrated security solutions, combining technology and manned security, was instrumental in retaining and expanding a number of our existing contracts and is increasingly relevant in winning new business. We are able to draw on substantial expertise in our UK & Ireland security systems business, supported by product research and development at our UK technology centre.

Revenue from our Care & Justice services and FM businesses was broadly flat as we maintained a disciplined and selective approach to new contract bidding.

Adjusted PBITA increased by 7.1%, reflecting the combination of revenue growth and the benefit of our on-going productivity programmes.

The roll-out of our lean process design for the back-office operations of our manned security business commenced in Ireland in the third quarter of 2017 and we expect it to be implemented in the UK during 2018.

CORPORATE COSTS

Corporate costs comprise the costs of the G4S plc Board and the central costs of running the Group including executive, governance and central support functions, and are slightly lower compared with the prior year.

Summary results of core businesses

At 2017 average exchange rates (other than operating cash flow)	**2017 £m**	2016 £m	YoY %
Revenue	**7,427**	7,195	3.2%
Adjusted profit before interest, tax and amortisation (Adjusted PBITA[a])	**496**	476	4.2%
Adjusted PBITA[a] margin	***6.7%***	*6.6%*	*+10 b.p.*
Interest	**(113)**	(101)	11.9%
Adjusted profit before tax[a]	**383**	375	2.1%
Tax[a]	**(92)**	(90)	2.2%
Adjusted profit after tax[a]	**291**	285	2.1%
Non-controlling interests	**(14)**	(23)	(39.1)%
Adjusted earnings[a] (profit attributable to equity holders of the parent)	**277**	262	5.7%
Adjusted EPS[a]	**17.9p**	16.9p	5.9%
Operating cash flow[a,b]	**527**	633	(16.7)%

[a] Alternative Performance Measures ("APMs") for core businesses are explained on pages 30 and 31 and are reconciled to the Group's statutory results on page 4.
[b] 2016 comparatives for operating cash flow from core businesses are presented at 2016 average exchange rates.

Revenue
At £2.7 billion, emerging markets revenue increased by 1.5% on the prior year, with growth in all regions except for Middle East & India. Emerging markets represent 37% of Group revenue (2016: 37%). Developed markets' revenues were 4.3% higher than the prior year, with 6.0% growth in North America, 3.9% in Europe and 2.1% in UK & Ireland.

Adjusted PBITA
Adjusted PBITA of £496 million (2016: £476 million) was up 4.2%. This growth reflects the strong performance of the Group in developed markets, improved product mix and the results of our on-going productivity programmes, partially offset by weaker trading in the Middle East & India. Overall, the Adjusted PBITA margin increased to 6.7% (2016: 6.6%) with improvements delivered in six out of the seven regions.

Interest
Net interest payable on net debt from core businesses was £90 million (2016: £85 million). The increase primarily reflects a temporary increase in gross borrowings (matched by an increase in cash balances) following the issuance of a €500 million Public Bond in November 2016 and a €500 million Public Bond in June 2017 that were used mainly to re-finance the March and May 2017 debt maturities in addition to drawings under the Revolving Credit Facility. Net other finance costs of £12 million (2016: £6 million) increased compared with the prior year due to an additional £2 million relating to discount unwound on provisions, a £2 million charge in respect of overseas tax settlements, and a £2 million indebtedness-related foreign exchange gain recognised in 2016. The pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £11 million (2016: £10 million), resulting in a total net interest cost of £113 million (2016: £101 million).

Tax
A tax charge of £92 million (2016: £90 million) was incurred on the adjusted profits of core businesses of £383 million (2016: £375 million) which represents an effective tax rate of 24% (2016: 24%). The effective tax rate is a function of a variety of factors, with the most predominant being the geographic mix of the Group's taxable profits and the respective country tax rates, the recognition of, and changes in the value of, deferred tax assets and liabilities, permanent differences such as expenses disallowable for tax purposes, and irrecoverable withholding taxes.

Non-controlling interests
Profit from core businesses attributable to non-controlling interests was £14 million in 2017, a decrease from £23 million for 2016, reflecting the non-controlling partners' share of the lower level of profitability of certain businesses in the Middle East & India region.

Adjusted profit for the year (adjusted earnings) – core businesses
The Group generated adjusted profit from core businesses attributable to equity holders ('adjusted earnings') of £277 million (2016: £262 million), an increase of 5.7% for the year ended 31 December 2017.

Adjusted earnings per share – core businesses

Adjusted earnings per share from core businesses increased to 17.9p (2016: 16.9p), based on the weighted average of 1,548 million (2016: 1,546 million) shares in issue. A reconciliation of adjusted profit for the year from core businesses to Adjusted EPS from core businesses is provided below:

Adjusted earnings per share – core businesses

	2017 £m	2016 at constant exchange rates £m	2016 at actual exchange rates £m
Adjusted profit for the year	**291**	285	269
Non-controlling interests	**(14)**	(23)	(22)
Adjusted profit attributable to equity holders of the parent (earnings)	**277**	262	247
Average number of shares (m)	**1,548**	1,546	1,546
Adjusted earnings per share – core businesses	**17.9p**	**16.9p**	**16.0p**

Onerous contracts

The Group's onerous contracts generated revenues of £119 million (2016: £115 million) for the year ended 31 December 2017. The Group recognised additional provisions of £19 million (2016: £4 million), classified as specific items, primarily related to the anticipated total losses over the next 15 to 20 years in respect of certain UK contracts. It is expected that around 60% of the Group's total provision for onerous customer contracts of £62 million will be utilised by the end of 2020.

Portfolio businesses

The Group made further progress with its portfolio management programme in the year. This programme has greatly improved the Group's strategic focus and has also generated approximately £510 million in disposal proceeds in relation to the 38 businesses sold up to 31 December 2017. Disposals in the year include the Group's businesses in Israel and Bulgaria, its cash businesses in Peru and Paraguay, the US Youth Services business and the UK children's homes business, generating total gross proceeds of £166 million. Since the year end, and up to the date of this report, a further three businesses have been sold, generating additional gross proceeds of £9 million. The portfolio programme is considered to be substantially complete at 31 December 2017. Since 30 June 2017 there have been no changes to the portfolio businesses other than the completion of some minor disposals. Going forwards no further transfers into or out of the portfolio businesses will occur.

Restructuring

The Group invested £20 million (2016: £13 million) in restructuring programmes during the year, mainly in the UK & Ireland and Europe regions, as part of the multi-year strategic productivity programme being implemented across the Group, which is now drawing to an end. In addition, the Group incurred non-strategic severance costs of £10 million (2016: £9 million) which are included within Adjusted PBITA from core businesses. Going forwards the Group has announced a three-year plan to 2020 to implement efficient organisational design and leaner processes (see page 3), which is likely to require further restructuring investment.

Acquisition-related amortisation, specific and other separately disclosed items

	2017 £m	2016 at constant exchange rates £m	2016 at actual exchange rates £m
Net specific items	**(15)**	(14)	(13)
Net profit on disposal/closure of subsidiaries/businesses	**74**	5	7
Goodwill impairment	**-**	(9)	(9)
Acquisition-related amortisation	**(10)**	(34)	(32)
Acquisition-related amortisation, specific and other separately disclosed items before tax	**49**	(52)	(47)
Tax charges arising on acquisition-related amortisation and other separately disclosed items	**(18)**	9	9
Tax impact of US Tax Cuts and Jobs Act	**(19)**	-	-
Acquisition-related amortisation, specific and other separately disclosed items after tax	**12**	(43)	(38)
Loss from discontinued operations	**(6)**	(3)	(3)
Non-controlling interests' share of acquisition-related amortisation, specific and other separately disclosed items	**(1)**	4	4
Total acquisition-related amortisation, specific and other separately disclosed items – impact on earnings	**5**	(42)	(37)

Net specific items
The net specific items charge of £15 million (2016: £14 million) comprises £6 million relating to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years, and £9 million relating mainly to the settlement of labour-related disputes in respect of prior years in North America and Latin America. Specific items in 2016 included an £11 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 relating mainly to the recovery of a legal claim in Europe and of certain disputed debtor balances in the UK.

Profit on disposal/closure of subsidiaries/businesses and goodwill impairment
As part of the portfolio programme, the Group realised a net profit of £74 million (2016: £5 million) relating to the disposal of a number of its operations including the businesses in Israel and Bulgaria, the US Youth Services business, the UK children's homes business and the Group's cash businesses in Peru and Paraguay. The Group reported an impairment charge in the prior year of £9 million in relation to businesses that were to be sold or closed.

Acquisition-related amortisation
Acquisition-related amortisation of £10 million (2016: £34 million) is lower than the prior year as certain intangible assets recognised on a number of legacy acquisitions became fully amortised in 2016.

Tax charges arising on acquisition-related amortisation, specific and other separately disclosed items
Tax charges arising on acquisition-related amortisation, specific and other separately disclosed items of £18 million (2016: tax credit of £9 million) relate primarily to the disposal of subsidiaries in the United States, Peru and Paraguay.

Tax impact of US Tax Cuts and Jobs Act ("US tax reform")
On 22 December 2017, the US tax legislation known as the Tax Cuts and Jobs Act was signed into law by the US President and introduced significant changes in US tax laws with effect from 1 January 2018. As this legislation is considered to be substantively enacted as at 31 December 2017, any tax effects of the legislation arising in 2017 have been taken into account.

For 2017, the changes in legislation resulted in a separately disclosed one-off charge to the income statement of £19 million arising from the re-measurement and impairment of deferred tax assets due to the reduction in the US Federal tax rate, and from the impairment of foreign tax credits which are no longer expected to be recovered in future periods against foreign source income.

On the basis of information currently available and from analysis completed since the legislation was enacted, the above are likely to be the most significant impacts for the Group. However, as more detailed analysis and future legislative guidance become available, it is possible that the Group may be further impacted in the current and subsequent years by the legislative changes.

Tax – statutory at actual historical exchange rates

The statutory tax charge of £128 million (2016: £76 million) for 2017 includes a tax charge of £92 million (2016: £85 million) on the adjusted profits of core businesses, as explained on page 9, a tax credit on onerous contracts of £4 million (2016: £nil), a tax charge of £7 million (2016: £2 million) in respect of portfolio businesses, a net tax charge of £18 million (2016: tax credit of £9 million) in respect of acquisition-related amortisation and other separately disclosed items, and a tax charge of £19 million (2016: £nil) in respect of the tax impact of the US tax reform (see above).

The Group's statutory tax charge represents an effective rate of 33% (2016: 26%) on profit before tax of £386 million (2016: £296 million). The effective tax rate is a function of a variety of factors, with the most predominant being the geographic mix of the Group's taxable profits and the respective country tax rates, profits arising on the disposal of certain subsidiaries being taxed at a higher tax rate, the recognition of, and changes in the value of, deferred tax assets and liabilities, permanent differences such as expenses disallowable for tax purposes, and irrecoverable withholding taxes.

The higher effective tax rate compared with the prior year is primarily driven by a one-off charge relating to the re-measurement and impairment of US deferred tax assets arising as a result of US tax reform and as a result of profits arising on the disposal of certain subsidiaries being taxed at a higher tax rate.

The effective tax rate on the Group's statutory profits was also significantly higher than the effective tax rate on the adjusted profits of core businesses, primarily due to two non-core factors. Firstly, the impact of US tax reform, which is excluded from the tax charge on adjusted profits from core businesses, and secondly, as a result of profits arising on the disposal of certain subsidiaries being taxed at a higher tax rate.

Profit for the year – statutory at actual historical exchange rates
The Group reported profit for the year attributable to equity holders of the parent ("statutory earnings") of £236 million (2016: £198 million) which includes the benefits of improved Adjusted PBITA and the profit on disposal of subsidiaries.

Earnings per share – statutory at actual historical exchange rates

Statutory earnings per share[a] increased to 15.2p (2016: 12.8p), based on the weighted average number of shares in issue of 1,548 million (2016: 1,546 million). A reconciliation of the Group's statutory profit for the year to EPS is provided below:

	Earnings per share		
	2017 **£m**	2016 at constant exchange rates £m	2016 at actual exchange rates £m
Profit for the year	**252**	227	217
Non-controlling interests	**(16)**	(20)	(19)
Profit attributable to equity holders of the parent (earnings)	**236**	207	198
Average number of shares (m)	**1,548**	1,546	1,546
Statutory earnings per share	**15.2p**	**13.4p**	**12.8p**

[a] Basis of preparation of statutory results is shown on page 19.

Total equity

Total equity at 31 December 2017 was £854 million (2016: £863 million). The main movements during the year were: profit for the year of £252 million (2016: £217 million), other comprehensive losses of £47 million (2016: income of £109 million) which included a re-measurement gain on deferred retirement benefit schemes of £26 million (2016: loss of £169 million) as explained below and an exchange loss on translation of foreign operations and changes in fair value of cash flow hedging financial instruments of £69 million (2016: gain of £228 million), and dividends paid in the year of £179 million (2016: £162 million).

The significant foreign currency gain of £228 million recognised in the consolidated statement of comprehensive income in the prior year was mainly a result of the weakening of Sterling compared with the US dollar and Euro following the UK referendum result in June 2016. In 2017, Sterling strengthened compared with the US dollar, partially offset by a further weakening against the Euro, resulting in a net foreign exchange loss of £69 million recognised in the consolidated statement of comprehensive income for the year.

Consolidated statement of financial position

Non-current loan notes were £1,486 million (2016: £1,715 million), reflecting the re-classification of certain US Private Placement notes repayable in July 2018 and the €500 million Public Bond repayable in December 2018 as current liabilities, offset by the addition of the new €500 million Public Bond issued in June 2017 and repayable in 2024.

Cash flow, capital expenditure and portfolio management

Operating cash flow from core businesses decreased to £527 million (2016: £633 million), and represents 106% (2016: 133%) of Adjusted PBITA, as the Group reverted to a more customary level of operating cash generation following the particularly strong performance in the prior year. The Group invested £104 million (2016: £107 million) in net capital expenditure and received net proceeds of £156 million (2016: £82 million) from the disposal of businesses. The Group made no significant acquisitions in the year.

Net cash inflow after investing in the business was £525 million (2016: £567 million). The Group's net decrease in net debt before foreign exchange movements was £162 million (2016: £222 million).

Net debt

Net debt as at 31 December 2017 was £1,487 million (2016: £1,670 million). The Group's net debt to Adjusted EBITDA ratio was 2.4x (2016: 2.8x). The detailed reconciliation of movements in net debt is provided on page 33 and is reconciled to the statutory cash flow on page 34.

Pension deficit

The Group's net defined benefit pension deficit recognised in the consolidated statement of financial position for accounting purposes at 31 December 2017 was £381 million (2016: £437 million), or £318 million (2016: £368 million) net of applicable tax in the relevant jurisdictions. The reduction in the net pension deficit compared with the prior year reflects the payment of scheduled deficit repair contributions of £40 million (2016: £39 million) during the year, together with a small increase in the discount rate assumption applied to the valuation of scheme obligations. The Group will pay pension deficit-repair contributions of £41 million in 2018 in line with the agreed contribution schedule. The next triennial funding valuation is due in 2018, following which future contributions will be subject to review and potential renegotiation.

Credit facilities

In May 2017, the Group's credit rating was re-affirmed by Standard & Poor's as BBB- (negative). As at 31 December 2017 the Group had liquidity of £1,571 million (2016: £1,692 million) comprising cash, cash equivalents and bank overdrafts of £571 million (2016: £672 million) and unutilised but committed facilities of £1 billion (2016: £1 billion). The Group issued a €500 million Public Bond in June 2017 which matures in June 2024 and pays an annual coupon of 1.5%.

The next debt maturities are £44 million and $224 million US Private Placement notes due in July 2018 and a €500 million Eurobond in December 2018. 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 2017 are set out below:

Debt instrument/ Year of issue	Nominal amount[a]	Issued interest rate	Post-hedging average interest rate	Year of redemption and amounts (£m)[b]							
				2018	2019	2020	2021	2022	2023	2024	Total
US PP 2008	£44m	7.56%	7.56%	44							**44**
US PP 2007	US$250m	5.96% - 6.06%	2.20%		107			78			**185**
US PP 2008	US$298.5m	6.78% - 6.88%	6.90%	154		55					**209**
Public Bond 2012	€500m	2.63%	2.62%	417							**417**
Public Bond 2009	£350m	7.75%	7.75%		350						**350**
Public Bond 2016	€500m	1.5%	2.24%						448		**448**
Public Bond 2017	€500m	1.5%	3.21%							421	**421**
Revolving Credit Facility 2015[c]	£1bn (multi-currency)	Undrawn	Undrawn								**-**
				615	**457**	**55**	**-**	**78**	**448**	**421**	**2,074**

[a] Nominal debt amount, for fair value carrying amount see Note 18.
[b] Translated at exchange rates prevailing at 31 December 2017, or hedged exchange rates where applicable.
[c] £964 million of the original £1 billion multi-currency revolving credit facility matures in January 2022, with the remainder maturing in January 2021. As at 31 December 2017 there were no drawings from the facility.

The Group's average cost of gross borrowings, net of interest hedging, was 4.1% (2016: 4.1%).

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

	31 December 2017 Closing rates	**Year to 31 December 2017 Average rates**	31 December 2016 Closing rates	Year to 31 December 2016 Average rates
£/US$	**1.3524**	**1.2964**	1.2345	1.3558
£/€	**1.1250**	**1.1453**	1.1705	1.2265
£/South Africa Rand	**16.7557**	**17.3187**	16.9500	19.8742
£/India Rupee	**86.3531**	**84.3570**	83.8670	91.0371
£/Israel Shekel	**4.6951**	**4.6484**	4.7683	5.1912
£/Brazil Real	**4.4794**	**4.1506**	4.0165	4.7252

Applying December 2017 closing rates to the results of core businesses for the year to 31 December 2017 would result in a decrease in revenue of 2.0% to £7,280 million (for the year ended 31 December 2016: decrease of 1.9% to £7,056 million) and a decrease in Adjusted PBITA of 1.8% to £487 million (for the year ended 31 December 2016: decrease of 1.9% to £467 million).

Applying December 2017 closing rates to the Group's statutory results for the year to 31 December 2017 would result in a decrease in revenue of 1.9% to £7,680m (for the year ended 31 December 2016: increase of 2.5% to £7,782m) and a decrease in Adjusted PBITA of 1.9% to £482m (for the year ended 31 December 2016: increase of 2.5% to £473m).

The weakening of the average Sterling exchange rates compared with the prior year led to an increase in statutory revenue of 4.5% and an increase in Adjusted PBITA of 4.7%. The impact of exchange rate movements reduced the Group's net debt by £21 million compared with the prior year.

Dividend
The Board has proposed a final dividend of 6.11p per share (DKK 0.5097).

Consolidated income statement (audited)

Continuing operations	Notes	2017 £m	2016 £m
Revenue	5	**7,828**	7,590
Operating profit before joint ventures, specific items and other separately disclosed items		**482**	452
Share of post-tax profit from joint ventures		**9**	9
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	5	**491**	461
Specific items – charges	6	**(34)**	(21)
Specific items – credits	6	**-**	8
Restructuring costs	6	**(20)**	(12)
Profit on disposal/closure of subsidiaries/businesses	6,7	**74**	7
Goodwill impairment	6	**-**	(9)
Amortisation of acquisition-related intangible assets	6	**(10)**	(32)
Operating profit	5,6	**501**	402
Finance income	8	**16**	33
Finance expense	8	**(131)**	(139)
Profit before tax		**386**	296
Tax	9	**(128)**	(76)
Profit from continuing operations after tax		**258**	220
Loss from discontinued operations		**(6)**	(3)
Profit for the year		**252**	217
Attributable to:			
Equity holders of the parent		**236**	198
Non-controlling interests		**16**	19
Profit for the year		**252**	217
Earnings per share attributable to equity shareholders of the parent	11		
Basic and diluted – from continuing operations		**15.6p**	13.0p
Basic and diluted – from continuing and discontinued operations		**15.2p**	12.8p
Dividends declared and proposed in respect of the year			
Interim dividend of 3.59p per share (2016: 3.59p)		**55**	55
Final dividend of 6.11p per share (2016: 5.82p)		**95**	90
Total dividend	10	**150**	145

Consolidated statement of comprehensive income (audited)

	2017 £m	2016 £m
Profit for the year	**252**	217
Other comprehensive income		
Items that will not be re-classified to profit or loss:		
Re-measurements on defined retirement benefit schemes	**26**	(169)
Tax on items that will not be re-classified to profit or loss	**(4)**	28
	22	(141)
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	**(69)**	228
Tax on items that are or may be re-classified subsequently to profit or loss	**-**	22
	(69)	250
Other comprehensive (loss)/income, net of tax	**(47)**	109
Total comprehensive income for the year	**205**	326
Attributable to:		
Equity holders of the parent	**191**	305
Non-controlling interests	**14**	21
Total comprehensive income for the year	**205**	326

Consolidated statement of changes in equity (audited)

	Attributable to equity holders of the parent						
	Share capital 2017 £m	**Share premium 2017 £m**	**Retained earnings 2017 £m**	**Other reserves 2017 £m**	**Total 2017 £m**	**NCI reserve 2017 £m**	**Total equity 2017 £m**
At 1 January 2017	**388**	**258**	**(260)**	**456**	**842**	**21**	**863**
Total comprehensive income/(loss)	**-**	**-**	**260**	**(69)**	**191**	**14**	**205**
Dividends paid	**-**	**-**	**(145)**	**-**	**(145)**	**(34)**	**(179)**
Transactions with non-controlling interests ("NCI")	**-**	**-**	**(19)**	**-**	**(19)**	**3**	**(16)**
Recycling of net investment hedge	**-**	**-**	**-**	**24**	**24**	**-**	**24**
Recycling of cumulative translation adjustments	**-**	**-**	**-**	**(42)**	**(42)**	**-**	**(42)**
Own shares awarded	**-**	**-**	**(11)**	**11**	**-**	**-**	**-**
Own shares purchased	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
Share-based payments	**-**	**-**	**9**	**-**	**9**	**-**	**9**
At 31 December 2017	**388**	**258**	**(166)**	**370**	**850**	**4**	**854**

	Attributable to equity holders of the parent						
	Share capital 2016 £m	Share premium 2016 £m	Retained earnings 2016 £m	Other reserves 2016 £m	Total 2016 £m	NCI reserve 2016 £m	Total equity 2016 £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 ("NCI")	-	-	(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

Consolidated statement of financial position (audited)

	Notes	2017 £m	2016[a] £m
ASSETS			
Non-current assets			
Goodwill		**1,914**	1,990
Other acquisition-related intangible assets		**9**	18
Non-acquisition-related intangible assets		**88**	86
Property, plant and equipment		**395**	437
Trade and other receivables		**83**	101
Investment in joint ventures		**20**	19
Investments	*16*	**20**	12
Retirement benefit surplus	*14*	**80**	75
Deferred tax assets	*9*	**240**	285
		2,849	3,023
Current assets			
Inventories		**104**	112
Investments	*16*	**42**	52
Trade and other receivables		**1,416**	1,381
Current tax assets		**55**	61
Cash and cash equivalents	*13,16*	**902**	831
Assets of disposal groups classified as held for sale	*12*	**53**	151
		2,572	2,588
Total assets		**5,421**	5,611
LIABILITIES			
Current liabilities			
Bank overdrafts	*13,16*	**(284)**	(93)
Bank loans	*16*	**(8)**	(16)
Loan notes	*16*	**(655)**	(677)
Obligations under finance leases	*16*	**(15)**	(20)
Trade and other payables		**(1,262)**	(1,260)
Current tax liabilities	*9*	**(79)**	(64)
Provisions	*15*	**(104)**	(116)
Liabilities of disposal groups classified as held for sale	*12*	**(19)**	(58)
		(2,426)	(2,304)
Non-current liabilities			
Bank loans	*16*	**(5)**	(4)
Loan notes	*16*	**(1,486)**	(1,715)
Obligations under finance leases	*16*	**(20)**	(37)
Trade and other payables		**(23)**	(30)
Retirement benefit obligations	*14*	**(461)**	(512)
Provisions	*15*	**(138)**	(132)
Deferred tax liabilities	*9*	**(8)**	(14)
		(2,141)	(2,444)
Total liabilities		**(4,567)**	(4,748)
Net assets		**854**	863
EQUITY			
Share capital		**388**	388
Share premium		**258**	258
Reserves		**204**	196
Equity attributable to equity holders of the parent		**850**	842
Non-controlling interests		**4**	21
Total equity		**854**	863

[a] The Consolidated statement of financial position as at 31 December 2016 has been re-presented – see Note 1.

Consolidated statement of cash flows (audited)

	2017 £m	2016 £m
Operating profit	**501**	402
Adjustments for non-cash and other items (see Note 17)	**40**	126
Decrease/(increase) in inventory	**1**	(5)
Increase in accounts receivable	**(95)**	(9)
Increase in accounts payable	**41**	101
Net cash flow from operating activities of continuing operations (see Note 17)	**488**	615
Net cash flow from operating activities of discontinued operations	**-**	(9)
Cash generated by operations	**488**	606
Tax paid	**(86)**	(84)
Net cash flow from operating activities	**402**	522
Investing activities		
Purchases of non-current assets	**(109)**	(116)
Proceeds on disposal of property, plant and equipment	**5**	9
Disposal of subsidiaries	**156**	82
Cash, cash equivalents and bank overdrafts in disposed entities	**(8)**	(20)
Acquisition of subsidiaries	**(1)**	(1)
Interest received	**29**	14
Sale of investments	**3**	6
Cash flow from equity-accounted investments	**6**	8
Net cash flow from investing activities	**81**	(18)
Financing activities		
Dividends paid to equity shareholders of the parent	**(145)**	(145)
Dividends paid to non-controlling interests	**(34)**	(17)
Purchase of own shares	**(10)**	-
Proceeds from new borrowings	**437**	440
Repayment of borrowings	**(672)**	(451)
Net interest received relating to derivative financial instruments	**29**	22
Interest paid	**(136)**	(132)
Repayment of obligations under finance leases	**(23)**	(22)
Transactions with non-controlling interests	**(16)**	(2)
Net cash flow from financing activities	**(570)**	(307)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(87)**	197
Cash, cash equivalents and bank overdrafts at the beginning of the year	**672**	388
Effect of foreign exchange rate fluctuations on net cash held	**(14)**	87
Cash, cash equivalents and bank overdrafts at the end of the year	**571**	672

Notes to the preliminary results announcement

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 2017 or 2016. The consolidated financial statements incorporate the financial statements of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising "the Group") and the Group's interest in joint ventures made up to 31 December each year.

The results and financial information for the year ended 31 December 2017 have been extracted from the financial statements for the year, which have been audited and which will be delivered to the registrar of companies in due course. Statutory accounts for 2016 have been delivered to the registrar of companies. The auditors reported on the 2016 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 Integrated Report and Accounts 2016.

The consolidated statement of financial position as at 31 December 2016 has been re-presented to show the re-classification of certain items within cash and cash equivalents of £20m as investments and to show the re-classification of certain investments totalling £12m previously presented as current, as non-current. As a consequence of this change in presentation, cash and cash equivalents as at 31 December 2016 have decreased from £851m to £831m, current investments have increased from £44m to £52m and new non-current investments of £12m have been presented.

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 in arriving at operating profit by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

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

In general, provisions recognised for future losses on onerous contracts are charged to the consolidated income statement within Adjusted PBITA. However, where onerous contract charges are significant by virtue of their size, they are separately charged within specific items. Such losses are distinct from "in-year" losses, which are utilised against provisions for onerous contract losses. Releases of onerous contract provisions originally charged as specific items are separately credited within specific items.

In order to provide further clarity in the consolidated income statement, the Group also discloses separately certain restructuring costs, profits or losses on disposal or closure of subsidiaries, acquisition-related amortisation and expenses and goodwill impairment. Restructuring costs that are separately disclosed reflect the multi-year productivity 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 2016 and 2017 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 Adjusted PBITA. Going forwards the Group has announced a three-year plan to 2020 to implement efficient organisational design and leaner processes, which is likely to require further restructuring investment.

3) Adoption of new and revised accounting standards and interpretations

The Group has not early-adopted any standard, amendment or interpretation. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017. The directors are currently evaluating the impact of these new standards on the Group accounts:

- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRS 2 amendments – Classification and Measurement of share-based payment transactions
- IFRIC 22 - Foreign currency transactions and advance consideration
- IFRIC 23 - Uncertainty over income tax treatments

IFRS 15 – Revenue from Contracts with Customers

The Group has adopted IFRS 15 – Revenue from Contracts with Customers, with effect from 1 January 2018, and will prepare its 2018 Interim Results and Integrated Report and Accounts in accordance with the requirements of this new standard, with full retrospective application restating comparatives where appropriate.

The majority of the services which the Group provides are related to Secure Solutions (including security systems) and Cash Solutions (including hardware and software systems). Following a thorough review of the contractual terms of the contracts under which the Group provides these services, and from an assessment of the basis on which customers are invoiced in relation to work performed on a number of material contracts in each of these business categories, it has been concluded that the Group's right to consideration from the customer corresponds directly with the value to the customer of the Group's performance completed to date. The Group is therefore allowed to recognise revenue in the amount to which it has the right to invoice, and there will be no significant change in revenue recognition in respect of these services. The Group will apply the practical expedient approach allowed by IFRS 15 in such cases, whereby revenue is recognised in line with amounts invoiced to customers, based on the value of services performed over the duration of the contract.

Only a residual amount of Care & Justice services have been identified where the practical expedient approach is not applicable, but based on a detailed assessment of the most material of such contracts in relation to IFRS 15 revenue recognition criteria, no material change to current revenue recognition has been identified.

In addition to review and assessment of revenue recognition, the Group has assessed the impact of IFRS 15 criteria for capitalisation of contract-acquisition and contract-fulfilment costs by comparison with its existing accounting policies. Certain changes (such as the cessation of capitalisation of pre-contract costs after attainment of preferred supplier status) are required to those existing policies under IFRS 15, but these changes will likewise have no material impact on the Group's results or balance sheet.

As a result of these reviews, management has concluded that, whilst refinements are required to certain of the Group's existing revenue recognition and contract cost capitalisation policies for compliance with IFRS 15, together with the inclusion of a number of additional disclosures in the Integrated Report and Accounts for 2018 and for subsequent years, there will be no material change to the Group's revenue, Adjusted PBITA, profit before tax or profit for the year, or to its balance sheet, as a consequence of adoption of this new standard.

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 – Financial Instruments with effect from 1 January 2018, and will prepare its 2018 Interim Results and Integrated Report and Accounts in accordance with the requirements of this new standard, with restated comparatives where appropriate.

The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities together with a new hedge accounting model.

Management has completed its assessment of the impact of this new accounting standard on its consolidated financial statements, with particular reference to the impact of the expected credit loss model for impairment of financial assets and to the changes in respect of hedge accounting, from which it has been concluded that there will be no material change to the Group's revenue, Adjusted PBITA, profit before tax or profit for the year, or to its balance sheet, as a consequence of adoption of IFRS 9, and there will be no change to the Group's existing hedging strategy.

IFRS 16 – Leases

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.

Additional debt will be recognised in the Consolidated statement of financial position, together with additional property, plant and equipment assets.

The impact on the Consolidated income statement is currently expected to be a small increase in Adjusted PBITA, due to the re-classification of the interest element of operating lease rentals as finance costs. Whilst the impact on Profit before tax will be variable over the term of a lease, as interest is charged at the effective rate on the reducing balance of the liability over the lease term, the cumulative impact on pre-tax profit will be neutral.

The impact on the Consolidated statement of cash flows will be an increase in net cash flow from operating activities, equivalent to the increase in Adjusted PBITA, matched by an increase in cash outflow from financing activities due to the re-classification of finance lease interest, with no impact on net cash flow.

4) Accounting estimates, judgments and assumptions

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgments, estimates and assumptions which are of most significance in preparing the Group's consolidated financial statements are the same as those that applied to the consolidated financial statements for the year ended 31 December 2016 other than for revenue recognition, which is no longer considered significant, and for judgments and estimates relating to labour laws and regulations and alternative performance measures, which are now considered to be significant.

5) 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 & 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.

Revenue by reportable segment	2017 £m	2016 £m
Africa	**548**	501
Asia Pacific	**761**	714
Latin America	**732**	660
Middle East & India	**852**	859
Emerging markets	**2,893**	2,734
Europe	**1,490**	1,441
North America	**2,029**	1,904
UK & Ireland	**1,416**	1,511
Developed markets	**4,935**	4,856
Total revenue	**7,828**	7,590

Operating Profit by reportable segment	2017 £m	2016 £m
Africa	**39**	35
Asia Pacific	**65**	56
Latin America	**28**	15
Middle East & India	**56**	76
Emerging markets	**188**	182
Europe	**109**	95
North America	**124**	115
UK & Ireland	**119**	119
Developed markets	**352**	329
Operating profit before corporate costs	**540**	511
Corporate costs	**(49)**	(50)
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	**491**	461
Net specific items	**(34)**	(13)
Restructuring costs	**(20)**	(12)
Net profit on disposal/closure of subsidiaries/businesses	**74**	7
Goodwill impairment	**-**	(9)
Amortisation of acquisition-related intangible assets	**(10)**	(32)
Operating profit	**501**	402

6) Operating profit

The income statement can be analysed as follows:

Continuing operations	2017 £m	2016 £m
Revenue	**7,828**	7,590
Cost of sales	**(6,432)**	(6,212)
Gross profit	**1,396**	1,378
Administration expenses	**(904)**	(976)
Goodwill impairment	**-**	(9)
Share of profit after tax from joint ventures	**9**	9
Operating profit	**501**	402

Operating profit includes items that are separately disclosed for the year ended 31 December 2017 related to:

- Net specific items charge of £34m (2016: £13m), of which £19m (2016: £4m) primarily relates to the anticipated total losses over the next 15 to 20 years in respect of certain UK contracts. The net specific item charge also includes £6m related to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years, and £9m related mainly to the settlement of labour disputes in respect of prior years, in North America and Latin America. Specific items in 2016 included a £10m charge due to the revision of estimates relating to legacy acquisitions and labour claims in Latin America, £7m relating to commercial restructuring in Middle East & India, and a net £4m supplementary onerous contract provision primarily in respect of the Compass asylum seekers contract, all offset by an £8m credit relating mainly to the recovery of a legal claim in Europe and of certain disputed debtor balances in the UK;

- Costs of £20m (2016: £12m) arising from restructuring activities during the year, mainly in the UK & Ireland and Europe regions, as part of the multi-year strategic productivity programme across the Group which is now drawing to a close. In addition, the Group incurred non-strategic severance costs of £10m (2016: £9m) which are included within cost of sales and administration expenses as appropriate. Going forwards the Group has announced a three-year plan to 2020 to implement efficient organisational design and leaner processes, which is likely to require further restructuring investment;

- Amortisation of acquisition-related intangible assets of £10m (2016: £32m), which is lower than the prior year as certain intangible assets recognised on legacy acquisitions became fully amortised in 2016; and

- As part of the portfolio programme, the Group realised a net profit of £74m (2016: £7m) relating to the disposal of a number of the Group’s operations including the Group’s businesses in Israel and Bulgaria, the US Youth Services business, the UK children’s homes business and the Group’s cash businesses in Peru and Paraguay.

7) Disposals and closures

As part of the portfolio programme, in 2017 the Group sold nine businesses, including the Youth Services business in North America, the children's homes business in the UK, the Group's cash businesses in Peru and Paraguay, and the Group's businesses in Israel and Bulgaria, realising net cash consideration of £156m. A further four businesses were closed during the year. These businesses generated Adjusted PBITA of £8m to the date of disposal (2016 full year: £21m).

In the year ended 31 December 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 net cash consideration of £82m. A further four businesses were closed during that year, and in addition the Group recognised a loss of £16m in relation to a systems business in Latin America which was in the process of being closed down.

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

	2017 £m	2016 £m
Goodwill	**52**	9
Other acquisition-related intangible assets	**1**	1
Non-acquisition related intangible assets	**-**	3
Property, plant and equipment	**13**	18
Other non-current assets	**17**	2
Current assets	**78**	86
Liabilities	**(61)**	(44)
Net assets of operations disposed	**100**	75
Less: recycling from currency translation reserve	**(18)**	-
Net impact on consolidated statement of financial position due to disposals	**82**	75
Fair value of retained investment in former joint venture	**(3)**	-
Profit on disposal/closure of subsidiaries/businesses	**74**	7
Total consideration	**153**	82
Satisfied by:		
Cash received	**166**	90
Disposal costs paid	**(10)**	(8)
Net cash consideration received in the year	**156**	82
Deferred consideration receivable	**4**	-
Accrued disposal and other costs	**(7)**	-
Total consideration	**153**	82

8) Net finance expense

	2017 £m	2016 £m
Interest and other income on cash, cash equivalents and investments	**12**	15
Interest receivable on loan note related derivatives	**4**	18
Gain arising from fair value adjustment to the hedged loan note items	**14**	11
Loss arising from change in fair value of derivative financial instruments hedging loan notes	**(14)**	(11)
Finance income	**16**	33
Interest on bank overdrafts and loans	**(18)**	(21)
Interest on loan notes	**(87)**	(97)
Interest on obligations under finance leases	**(3)**	(5)
Other interest charges[a]	**(12)**	(6)
Total Group borrowing costs	**(120)**	(129)
Finance costs on defined retirement benefit obligations	**(11)**	(10)
Finance expense	(131)	(139)
Net finance expense	**(115)**	(106)

[a] Other interest charges include £2m (2016: £nil) relating to discounts unwound on provisions (see Note 15).

9) Tax

	2017 £m	2016 £m
Current taxation expense	**(97)**	(110)
Deferred taxation (expense)/credit	**(31)**	34
Net income tax expense for the year	**(128)**	(76)

The effective tax rate on continuing operations is 33% (2016: 26%). The effective tax rate is a function of a variety of factors, with the most predominant being the geographic mix of the Group's taxable profits and the respective country tax rates, profits arising on the disposal of certain subsidiaries being taxed at a higher tax rate, the recognition of, and changes in the value of, deferred tax assets and liabilities, permanent differences such as expenses disallowable for tax purposes, and irrecoverable withholding taxes.

The higher effective tax rate compared with the prior year is primarily driven by a one-off charge relating to the re-measurement and impairment of US deferred tax assets arising as a result of US tax reform, and as a result of profits arising on the disposal of certain subsidiaries being taxed at a higher tax rate.

At 31 December 2017, the Group has recognised deferred tax assets of £240m (2016: £285m) based upon the latest view of expected future profitability of businesses in which these assets have been recognised. Deferred tax liabilities of £8m (2016: £14m), current tax liabilities of £79m (2016: £64m) and current tax assets of £55m (2016: £61m) were also recognised. Deferred tax assets arise predominantly on tax losses and on deficits in defined benefit pension schemes. At 31 December 2017, the Group has estimated tax losses of £272m (2016; £313m) which are not recognised as deferred tax assets. Recognition of deferred tax assets is dependent upon the availability of future taxable profits based on business plans of the relevant legal entities.

As at 31 December 2017, the Group has capital losses available to carry forward of approximately £2.6bn (2016: £0.25bn). These losses have no expiry date and have not been agreed with the relevant tax authorities. No deferred tax assets have been recognised in respect of these losses on the basis that the likelihood of their future utilisation is considered to be remote.

At 31 December 2017, the Group has adequate provision for liabilities likely to arise in accounting periods which remain open to enquiry by tax authorities. The global nature of the Group's operations means that the most significant tax risk is in relation to challenges from tax authorities in relation to the pricing of cross-border transactions and the Group's interpretation of the OECD's arm's-length principle. This risk is largely driven by the inherently subjective nature of transfer pricing and the divergent views taken by tax authorities.

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

As at 31 December 2017, the Group was carrying provisions of £42m (2016: £37m) in respect of such tax exposures. The Group believes that it has made appropriate provision for open tax periods which have not yet been agreed by tax authorities. The final agreed liabilities may vary from the amounts provided, as these are dependent upon the outcomes of the domestic and international dispute resolution processes in the relevant countries. The Group typically has limited control over the timing of resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Group does not expect material changes to occur in the level of provisions against existing uncertain tax positions during the next twelve month period.

10) Dividends

	Pence per share	DKK per share	**2017 £m**	2016 £m
Amounts recognised as distributions to equity holders of the parent in the year				
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
Final dividend for the year ended 31 December 2016	5.82	0.5029	**90**	-
Interim dividend for the six months ended 30 June 2017	3.59	0.2948	**55**	-
			145	145
Proposed final dividend for the year ended 31 December 2017	6.11	0.5097	**95**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 15 June 2018 to shareholders who are on the register on 4 May 2018. The Danish kroner exchange rate shown above for that dividend is that at 7 March 2018.

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

	2017 £m	2016 £m
(a) From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	**236**	198
Weighted average number of ordinary shares (m)	**1,548**	1,546
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	**15.2p**	12.8p
(b) From continuing operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	**236**	198
Adjustment to exclude loss for the year from discontinued operations (net of tax)	**6**	3
Profit from continuing operations	**242**	201
Earnings per share from continuing operations (pence)		
Basic and diluted	**15.6p**	13.0p
(c) From discontinued operations		
Loss for the year from discontinued operations (net of tax)	**(6)**	(3)
Loss per share from discontinued operations (pence)		
Basic and diluted	**(0.4)p**	(0.2)p

12) Disposal groups classified as held for sale

As at 31 December 2017, disposal groups classified as held for sale include the assets and liabilities associated with minor operations in the Group's Asia Pacific, Europe, Latin America and Africa regions.

At 31 December 2016, disposal groups held for sale mainly comprise the assets and liabilities associated with the Group's business in Israel, its Youth Services business in North America and the children's homes business in the UK. These three businesses were sold during the year ended 31 December 2017 (see Note 7).

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

The Group's Cash Solutions businesses provide a range of cash-handling and processing services on behalf of customers. 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.

Funds within cash-processing operations	**2017** **£m**	2016 £m
Stocks of money, included within cash and cash equivalents	**74**	95
Overdraft facilities related to cash-processing operations, included within bank overdrafts	**(19)**	(22)
Liabilities to customers in respect of cash-processing operations, included within trade and other payables	**(62)**	(83)
Receivables from customers in respect of cash-processing operations, included within trade and other receivables	**7**	10
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:

	2017 **£m**	2016 £m
Cash and cash equivalents in the consolidated statement of financial position	**902**	831
Bank overdrafts in the consolidated statement of financial position	**(284)**	(93)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	**8**	7
Total cash, cash equivalents and bank overdrafts	**626**	745
Add:		
Liabilities to customers in respect of cash-processing operations, included within trade and other payables	**(62)**	(83)
Receivables from customers in respect of cash-processing operations, included within trade and other receivables	**7**	10
Cash, cash equivalents and bank overdrafts at the end of the year in the consolidated statement of cash flows	**571**	672

14) Retirement benefit obligations

The Group's main defined benefit scheme is in the UK which accounts for approximately 66% (2016: 73%) of the total defined benefit schemes operated by the Group. The majority of the UK scheme was closed to future accrual in 2011. The Group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2017 recognised in the consolidated statement of financial position was £381m (2016: £437m), or £318m (2016: £368m) net of applicable tax in the relevant jurisdictions. The lower net pension deficit compared with the prior year reflects the payment of scheduled deficit-repair contributions of £40m (2016: £39m) during the year, together with a slightly higher discount rate assumption applied to the valuation of scheme obligations. The next triennial valuation is due in 2018, following which future deficit-repair contributions will be subject to review and potential renegotiation.

15) Provisions and contingent liabilities

	Employee benefits	Restructuring	Claims	Onerous customer contracts	Property and other[a]	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2017	**19**	**5**	**96**	**69**	**59**	**248**
Additional provision in the period	**4**	**20**	**58**	**19**	**22**	**123**
Utilisation of provision	**(3)**	**(20)**	**(43)**	**(22)**	**(26)**	**(114)**
Transfers and reclassifications	**1**	**-**	**(1)**	**(4)**	**2**	**(2)**
Unwinding of discounts	**-**	**-**	**2**	**-**	**-**	**2**
Unused amounts reversed	**-**	**(1)**	**(2)**	**-**	**(3)**	**(6)**
Exchange differences	**(1)**	**-**	**(6)**	**-**	**(2)**	**(9)**
At 31 December 2017	**20**	**4**	**104**	**62**	**52**	**242**
Included in current liabilities						**104**
Included in non-current liabilities						**138**
						242

[a] Property and other includes £17m (2016: £16m) of provisions for onerous property leases and dilapidations.

Claims provisions represent any outstanding litigation claims against the Group that are considered likely to lead to the outflow of funds in the future, including provisions within the Group's captive insurance companies. During the year additional provisions of £36m (2016: £20m) were established in relation to claims made under the Group's captive insurance policies. The Group also recognised as specific items additional claims provisions of £6m related to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years and £9m related mainly to the settlement of labour disputes in respect of prior years in North America and Latin America.

The Group recognised as specific items additional onerous contract provisions of £19m (2016: £4m) relating primarily to the anticipated total losses over the next 15 to 20 years in respect of certain UK contracts. It is expected that around 60% of the Group's total provision for onerous contracts will be utilised by the end of 2020, mainly as the Compass contract comes to an end in August 2019. Given the short period remaining to the finalisation of this contract, any potential future changes to key assumptions made when estimating its future losses are not expected to have a significant impact. The additional expected losses of £19m are mainly related to two other PFI contracts where there has been an expected increase in costs to deliver the required maintenance regime. The expected additional future losses are expected to be partially offset by profit improvement plans, although these are reflected only to the extent that they have been implemented and are delivering the expected savings. A number of profit improvement plans that have been designed but which have not yet been embedded successfully in the contract delivery were not considered when estimating future expected losses. This is consistent with the Group's policy which requires evidence that profit improvement plans will be successfully implemented before they are reflected in anticipated future cash flow projections for onerous contract provisioning purposes. There is no single change in key variables that could materially affect future expected losses on these contracts. Furthermore, management believes that the current level of provision is balanced and that any significant potential downside from possible changes to key assumptions could be offset by further progress made in those profit improvement plans that have not been considered following the Group's policy described above. The discount rates applied when calculating onerous contract provisions for these contracts were between 1.4% and 1.7%.

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 disputes open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. In addition, the interpretation of labour laws and regulations in a number of countries where the Group operates is complex and there is inherent judgment made when applying those laws and regulations that are open to interpretation. As such, there is a risk that further disputes and claims from employees could arise in the future. Where there is a dispute or where there is risk of a dispute or claims in the future and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. Where a reliable estimate cannot

be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.
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 is 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 contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different from the amount provided. Each of these provisions reflects the Group's best estimate of the probable exposure at 31 December 2017 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.

16) Analysis of net debt

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

	2017 **£m**	2016 £m
Cash and cash equivalents[a]	**902**	831
Receivables from customers in respect of cash processing operations[b]	**7**	10
Net cash and overdrafts included within disposal groups held for sale	**8**	7
Bank overdrafts	**(284)**	(93)
Liabilities to customers in respect of cash processing operations[c]	**(62)**	(83)
Total Group cash, cash equivalents and bank overdrafts	**571**	672
Investments[a]	**62**	64
Net debt (excluding cash and overdrafts) included within disposal groups held for sale	**(3)**	6
Bank loans	**(13)**	(20)
Loan notes	**(2,141)**	(2,392)
Obligations under finance leases	**(35)**	(57)
Fair value of loan note derivative financial instruments	**72**	57
Net debt	**(1,487)**	(1,670)

[a] 2016 cash and cash equivalents and investments have been re-presented – see Note 1.
[b] Included within trade and other receivables
[c] Included within trade and other payables

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

	2017 £m	2016 £m
Operating profit	**501**	402
Adjustments for non-cash and other items:		
Goodwill impairment	**-**	9
Amortisation of acquisition-related intangible assets	**10**	32
Net profit on disposal/closure of subsidiaries/businesses	**(74)**	(7)
Depreciation of property, plant and equipment	**104**	106
Amortisation of non-acquisition related intangible assets	**22**	25
Share of profit from joint ventures	**(9)**	(9)
Equity-settled share-based payments	**9**	10
Increase/(decrease) in provisions	**18**	(1)
Additional pension contributions	**(40)**	(39)
Operating cash flow before movements in working capital	**541**	528
Decrease/(increase) in inventories	**1**	(5)
Increase in accounts receivable	**(95)**	(9)
Increase in accounts payable	**41**	101
Net cash flow from operating activities of continuing operations	**488**	615

18) 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:

	Category	Level	2017 Carrying amount £m	2017 Fair value £m	2016 Carrying amount £m	2016 Fair value £m
Financial assets						
Investments	FVTPL	1	**62**	**62**	64	64
Interest-rate swaps	FVH	2	**15**	**15**	27	27
Foreign-exchange forwards	FVTPL	2	**-**	**-**	1	1
Cross-currency swaps	CFH	2	**70**	**70**	48	48
Financial liabilities						
Loan notes[a]	FVH	2	**(198)**	**(193)**	(740)	(779)
Interest-rate swaps	CFH	2	**-**	**-**	(1)	(1)
Interest-rate swaps	FVH	2	**(1)**	**(1)**	-	-
Interest-rate swaps	FVTPL	2	**(1)**	**(1)**	-	-
Foreign-exchange forwards	CFH/FVTPL	2	**-**	**-**	(1)	(1)
Cross-currency swaps	CFH/NIH	2	**(11)**	**(11)**	(17)	(17)
Loan notes [a]	AC	2	**(1,943)**	**(2,016)**	(1,652)	(1,699)

[a] Of the loan note liabilities shown, €120m (£107m) of December 2012 loan notes and €100m (£89m) of June 2017 loan notes are designated in fair-value hedge relationships.

Category key:

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

BASIS OF PREPARATION

The Group applies the basis of preparation for its statutory results shown on page 19. 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. Whilst broadly consistent with the treatment adopted by both the Group's business sector peers and by other businesses outside of the Group's business sector, these APMs are not necessarily directly comparable with those used by other companies.

Business reporting structure

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

- **Core businesses** (formerly referred to as "continuing businesses"), which comprise the Group's on-going activities;
- **Onerous contracts**, which are being managed effectively to completion:

  The onerous contracts component largely comprises a small number of material legacy onerous contracts that were identified by management as loss-making and are being run to completion. The results of these contracts are presented separately so that stakeholders can clearly assess their financial impact on the Group as well as consider them separately when assessing the financial performance which the Group is likely to deliver into the future; 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.

  Businesses are classified as portfolio businesses when the Group Executive Committee, having considered their performance, market conditions, competitive environment etc., considers that shareholder value is most likely to be maximised through a sale transaction rather than through continuing use. These businesses are available for immediate sale in their present condition, but do not represent a major line of business or geographical area of operation and hence do not meet the definition of a discontinued operation under IFRS 5.

  Due to the scale and breadth of the Group, together with the complex changing environment in the different countries where the Group operates, the portfolio businesses programme is dynamic. Changes in performance and market conditions subsequent to the original launch of the portfolio businesses programme have led the Group Executive Committee to consider that some additional businesses should be sold or closed. In certain cases, changes in market conditions or business performance have provided sufficient evidence for the Group Executive Committee to conclude that shareholder value will best be maximised through retention of some businesses previously categorised as portfolio businesses, and hence such businesses have been re-classified as core businesses.

  Since 30 June 2017 there have been no changes to the portfolio businesses other than the completion of some minor disposals. As explained on page 10, the portfolio programme is considered to be substantially complete at 31 December 2017. Going forwards no further transfers into or out of the portfolio businesses will occur.

When presenting these three components separately, the objective is to provide additional information and analysis to enable a fuller understanding of the Group, the way it is managed, and to identify easily the performance of those businesses that are expected to form part of the Group in the long-term.

These three components, together with the impact of restructuring costs, specific items and other items disclosed separately from Adjusted PBITA (see below) on the face of the consolidated income statement, constitute "continuing operations" under IFRS.

Discontinued operations, in accordance with IFRS 5, represent areas of the business which are being managed for sale or closure but which represent material business segments or entities. The Group now has minimal operations that meet the IFRS 5 definition of discontinued operations.

The comparative results for each component of continuing operations, and for discontinued operations, are re-presented for consistency to reflect the impact of businesses reclassified between components or sold during the current period.

Financial performance indicators

The key financial measures used by the Group in measuring progress against strategic objectives are set out below, and are reconciled for the current and prior year to the Group's statutory results on page 4:

- **Revenue**

  Statutory revenue arising in each of the three business components. *Revenue from core businesses is a Key Performance Indicator ("KPI")*.
- **Adjusted profit before interest, tax and amortisation ("Adjusted PBITA")**

  The Group uses Adjusted PBITA as a consistent internal and external reporting measure of its performance, as management views it as being more representative of financial performance from the normal course of business and more comparable period to period. Adjusted PBITA excludes strategic restructuring costs, goodwill impairment and amortisation of acquisition-related intangible assets and specific and other separately disclosed items, which the Group believes should be disclosed separately by virtue of their size, nature or incidence, as explained on page 31.

Restructuring costs:

These costs relate to the wider strategic transformation of the Group and are excluded from Group and regional Adjusted PBITA since they reflect Group decisions and are not considered to be reflective of the underlying financial performance of the individual businesses. This programme is of a strategic nature and, as such, is monitored and approved by the Group's Executive Committee. During 2016 and 2017 activities under the programme have focused primarily on transforming the operating model in the regions of UK & Ireland and Europe. Going forwards, as explained on page 3, the Group has announced a three-year plan to 2020 to implement efficient organisational design and leaner processes, which is likely to require further restructuring investment. Local, non-strategic restructuring costs in the businesses continue to be included within Adjusted PBITA, consistent with prior years.

Goodwill impairment and Amortisation of acquisition-related intangible assets:

The goodwill and acquisition-related intangible assets (mainly related to the capitalised value of customer lists), which resulted in these charges, arose when the Group acquired a number of its current businesses. As a contrast, organically-developed businesses in the Group, whilst clearly benefiting from intangible assets such as talent and customer relationships, do not have any associated goodwill or acquisition-related intangible assets recognised in the Group's Consolidated statement of financial position.

Impairment and amortisation of goodwill and acquisition-related intangible assets are excluded from Adjusted PBITA as they relate to historical acquisitions activity rather than the underlying trading performance of the business, and this presentation enables effective comparison of business performance across the Group, regardless of whether businesses were acquired or developed organically. This approach provides management with comparable information for day-to-day decision making. The income and trading profits earned from previously-acquired businesses are however included within Adjusted PBITA, and this treatment may differ from how other groups present profits and amortisation of intangible assets relating to businesses acquired.

The Group reports amortisation of all non-acquisition-related intangible assets, which are mainly related to development costs and software, as a charge within Adjusted PBITA, to reflect the amortisation of capital expenditure invested in these assets to deliver the day-to-day operations, consistent with the treatment of depreciation of capital expenditure invested in property, plant and equipment.

Specific items:

These items are those that, based on management's judgment, need to be disclosed separately in arriving at operating profit by virtue of their size, nature or incidence. They are excluded from the Group's adjusted performance measures since they are not considered to be representative of the underlying financial performance of the business. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

All items that are reported as specific items are evaluated and approved by the Group's Audit Committee prior to being separately disclosed. The Group seeks to be balanced when reporting specific items for both debits and credits, and any reversal of excess provisions previously created as specific items is recognised consistently as a specific item. The associated tax impact of specific items is recorded within the specific items tax charge. In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are also included within the specific items tax charge. Consistent with the treatment of pre-tax specific items, significant tax charges or credits that occur, which are not related to core businesses but which would have a significant impact on the Group's tax charge, would also be classified as tax-specific items.

Profits and losses on disposal or closure of subsidiaries and losses from discontinued operations:

These items are excluded from the Group's adjusted performance measures since they are not reflective of the underlying financial performance of the Group.

Further details regarding these excluded items can be found in Note 6 on page 22.

Adjusted PBITA from core businesses is a KPI.

- **Operating cash flow**

  Net cash flow from operating activities of continuing operations, adjusted to exclude strategic restructuring spend and cash flows from portfolio operations and onerous contracts. *Operating cash flow from core businesses is a KPI*.

- **Earnings**

  Profit attributable to equity shareholders of G4S plc. *Adjusted earnings from core businesses excludes specific and separately disclosed items and is a KPI.*

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

  Profit attributable to equity shareholders of G4S plc, per share, from continuing operations. Adjusted *EPS from core businesses excludes specific and separately disclosed items, and is a KPI*.

- **Net debt to Adjusted EBITDA**
  The ratio of total net debt, including investments, finance lease liabilities and cash and overdrafts within net assets of disposal groups held for sale, to adjusted earnings attributable to equity shareholders before interest, tax, depreciation and amortisation. This ratio is a determinant factor in the board's assessment of the financial strength of the Group, and is a key measure of

compliance with covenants in respect of the Group's borrowing facilities.

Certain of these financial performance indicators in respect of core businesses also form a significant element of performance measurement used in the determination of performance-related remuneration and incentives, as follows:

- *Adjusted PBITA* – annual bonus plans for senior managers in regional management;
- *Operating cash flow* – annual bonus plans and long-term incentive plan for all senior management including Executive directors;
- *Adjusted earnings* – annual bonus plans for Executive directors and functional directors who are members of the Group Executive Committee; and
- *Adjusted EPS growth* – long-term incentive plan for all senior management including Executive directors.

Alternative Performance Measures

A. Reconciliation of operating profit to movements in net debt

	2017	2016
	£m	£m
Operating profit	**501**	402
Adjustments for non-cash and other items (see Note 17)	**40**	126
Net working capital movement (see Note 17)	**(53)**	87
Net cash flow from operating activities of continuing operations (page 29)	**488**	615
Adjustments for:		
Restructuring spend	**19**	18
Cash flow from continuing operations	**507**	633
Analysed between:		
Core businesses	**527**	633
Onerous contracts	**(13)**	(10)
Portfolio businesses	**(7)**	10
Investment in the business		
Purchase of fixed assets, net of disposals	**(104)**	(107)
Restructuring investment	**(19)**	(18)
Disposal of subsidiaries (see Note 7)	**156**	82
Acquisition of subsidiaries	**(1)**	(1)
Net debt in disposed/acquired entities	**(11)**	(15)
New finance leases	**(3)**	(7)
Net investment in the business	**18**	(66)
Net cash flow after investing in the business	**525**	567
Other uses of funds		
Net interest paid	**(78)**	(96)
Tax paid	**(86)**	(84)
Dividends paid	**(179)**	(162)
Purchase of own shares	**(10)**	-
Cash used by discontinued operations	**-**	(9)
Transactions with non-controlling interests	**(16)**	(2)
Other	**6**	8
Net other uses of funds	**(363)**	(345)
Net decrease in net debt before foreign exchange movements	**162**	222
Net debt at the beginning of the year	**(1,670)**	(1,782)
Effect of foreign exchange rate fluctuations	**21**	(110)
Net debt at the end of the year	**(1,487)**	(1,670)

Alternative Performance Measures

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

	2017 £m	2016 £m
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (page 18)	**(87)**	197
Adjustments for items included in cash flow excluded from net debt:		
Sale of investments	**(3)**	(6)
Net decrease in borrowings	**235**	11
Repayment of obligations under finance leases	**23**	22
Items included in net debt but excluded from cash flow:		
Net debt (excluding cash, cash equivalents and bank overdrafts) of disposed entities	**(3)**	5
New finance leases	**(3)**	(7)
Net decrease in net debt before foreign exchange movements	**162**	222

C. Group Net debt: Adjusted EBITDA ratio

	2017 £m	2016 £m
Adjusted profit before interest, tax and amortisation (Adjusted PBITA - page 14)	**491**	461
Add back:		
Depreciation	**104**	106
Amortisation of non-acquisition-related intangible assets	**22**	25
Adjusted EBITDA	**617**	592
Exclude Adjusted EBITDA relating to businesses sold during the year	**(7)**	(5)
Adjusted EBITDA excluding businesses sold during the year	**610**	587
Net debt per Note 16	**1,487**	1,670
Group's definition of Net debt: Adjusted EBITDA ratio	**2.4**	2.8

Adjusted EBITDA can be derived from the consolidated income statement, after adjustment to exclude depreciation, amortisation of non-acquisition-related intangible assets and the Adjusted EBITDA of businesses sold during the year.

Alternative Performance Measures

D. Re-presentation of prior year results from core businesses[a]

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

For the year ended 31 December 2016	Core businesses as previously reported	Re-classified from onerous contracts[b]	Businesses re-classified to portfolio[c]	Businesses re-classified from portfolio[d]	Core businesses at 2016 exchange rates	Exchange rate movements	Core businesses at 2017 exchange rates
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Africa	**422**	-	-	-	**422**	9	**431**
Asia Pacific	**679**	-	-	-	**679**	36	**715**
Latin America	**621**	-	(9)	-	**612**	43	**655**
Middle East & India	**842**	-	-	-	**842**	48	**890**
Emerging markets	**2,564**	-	(9)	-	**2,555**	136	**2,691**
Europe	**1,224**	-	-	-	**1,224**	81	**1,305**
North America	**1,817**	-	-	-	**1,817**	75	**1,892**
UK & Ireland	**1,218**	70	-	12	**1,300**	7	**1,307**
Developed markets	**4,259**	70	-	12	**4,341**	163	**4,504**
Total revenue	**6,823**	70	(9)	12	**6,896**	299	**7,195**
Adjusted PBITA							
Africa	**42**	-	-	-	**42**	1	**43**
Asia Pacific	**57**	-	-	-	**57**	3	**60**
Latin America	**23**	-	(1)	-	**22**	2	**24**
Middle East & India	**76**	-	-	-	**76**	5	**81**
Emerging markets	**198**	-	(1)	-	**197**	11	**208**
Europe	**85**	-	-	-	**85**	6	**91**
North America	**111**	-	-	-	**111**	4	**115**
UK & Ireland	**110**	-	-	2	**112**	-	**112**
Developed markets	**306**	-	-	2	**308**	10	**318**
Total Adjusted PBITA before corporate costs	**504**	-	(1)	2	**505**	21	**526**
Corporate costs	**(50)**	-	-	-	**(50)**	-	**(50)**
Total Adjusted PBITA	**454**	-	(1)	2	**455**	21	**476**
Earnings	**246**	-	-	1	**247**	15	**262**
Operating cash flow[e]	**638**	(6)	(1)	2	**633**	-	**633**

[a] See basis of preparation on page 30.
[b] In 2017 the performance of three UK & Ireland contracts previously categorised as onerous has improved such that they are no longer onerous. The results of these contracts are therefore reported in core businesses in 2017 and the 2016 results re-presented accordingly.
[c] In 2017 we determined that we would exit three minor operations in Latin America and the results of these businesses are therefore reported in portfolio businesses in 2017 and the 2016 results re-presented accordingly.
[d] Also in 2017, the performance of a business previously reported as a portfolio business in UK & Ireland has improved, and management formally concluded that this business will be retained. The results of this business are therefore reported in core businesses in 2017 and the 2016 results re-presented accordingly.
[e] Operating cash flow is stated after pension deficit contributions of £39m and is shown at actual 2016 exchange rates.

Supplementary information

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

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

G4S is quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S is active in around 90 countries and has around 570,000 employees. For more information on G4S, visit www.g4s.com.

Presentation of Results:

A presentation to investors and analysts is taking place today at 09.00 hrs at the London Stock Exchange.

The presentation can also be viewed by webcast using the following link:
http://view-w.tv/707-803-19272/en

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

Standard International Access: +44 (0) 20 3003 2666
UK Toll Free: 0808 109 0700
Copenhagen: +45 3272 9273
Denmark Toll Free: 8088 8649
New York: +1 212 999 6659
USA Toll Free: 1 866 966 5335

Password: G4S

Dividend payment information
2017 final dividend:

Ex-dividend date – 3 May 2018
Last day to elect for DKK – 3 May 2018
Record date – 4 May 2018
Last day for DRIP elections – 24 May 2018
Pay date – 15 June 2018

Financial Calendar

May 2018 - Q1 2018 Trading update
8 August 2018 - H1 2018 Results announcement
November 2018 - Q3 2018 Trading update