

15 April 2016

Annual Financial Report

G4S plc has published its Integrated Report and Accounts for the year ended 31 December 2015.

Further to the preliminary announcement of its results for the year ended 31 December 2015 which it made on 9 March 2016, G4S plc, the international security solutions provider, announces that it has published its 2015 Integrated Report and Accounts for the same period.

The full Integrated Report and Accounts has been posted to shareholders who have elected to receive printed copies, together with the Notice of the company's Annual General Meeting which will be held on Thursday, 26 May 2016 at 2.00 pm in The Orchard Suite at the Holiday Inn, Gibson Road, Sutton, Surrey, SM1 2RF, UK. A proxy form for the company's Annual General Meeting will be sent to shareholders other than those who have elected to receive shareholder information via electronic communication.

The 2015 Integrated Report and Accounts and the Notice of Meeting with the explanatory notes accompanying it have been submitted to, and will be available from, the National Storage Mechanism.

A condensed set of the company's financial statements and extracts of the management report were included in the company's preliminary final results announcement.

That information, together with the Appendix to this announcement, which contains additional information which has been extracted from the 2015 Integrated Report and Accounts for the year ended 31 December 2015, constitutes the material required for the purposes of compliance with the Transparency Rules and should be read together with the preliminary final results announcement, which are available at www.g4s.com/en/Investors.

This announcement should be read in conjunction with and is not a substitute for reading the full 2015 Integrated Report and Accounts. Together these constitute the information required by DTR 6.3.5, which is required to be communicated in unedited full text through a Regulatory Information Service.

References in this announcement to the company's website are intended to refer only to the specific documents mentioned herein and not to other information available on that website.

Page and note references in the text below refer to page numbers and notes in the 2015 Integrated Report and Accounts.

APPENDIX

The group's principal risks and uncertainties:

A description of the principal risks and uncertainties that the company faces is extracted from pages 49 to 54 of the 2015 Integrated Report and Accounts.

Health and Safety

Risk description

The provision of security services in hostile or dangerous circumstances presents particular health and safety challenges. The business operates a large vehicle fleet in a number of countries with poor road infrastructures, increasing the risk of road traffic incidents. In 2015, 46 (2014: 41) employees lost their lives in work related incidents. Fatalities and injuries to our staff impact not only the individuals concerned, but also their families and loved ones.

Risk mitigation approach

The protection of our staff, people in our care or custody, and third parties including the public, is of utmost importance. We believe that accidents are preventable and that 'zero fatalities' is an appropriate goal. We are committed to continuous improvement of our health and safety systems, processes and cultures. The group has mandatory health and safety controls which all companies are required to implement. Mandatory health and safety training for senior leaders, focusing on safety leadership and culture, has been completed by more than 1,000 managers. Lessons learned during the investigation of serious incidents are communicated in Safety First bulletins and are used to revise the group's health and safety standards to better address the risks that led to these incidents. A road safety policy is issued to all businesses, a number of which also run local programmes on topics such as speed management and motorcycle safety. As part of our continuing programme of detailed assessments of H&S practices in a number of high-risk countries, follow-up reviews were conducted in order to derive assurance that businesses have implemented the improvement actions which they committed to. Unfortunately, this progress has not yet been evident in a reduction in the number of fatalities.

Mitigation priorities for 2016

We will continue to drive behaviour change so that people take personal responsibility for role modelling good health and safety behaviours and for ensuring compliance with operational procedures. We will be embedding best practices, standards and behaviours at supervisory levels, and conducting safety "stand downs" after each major incident. We will conduct interventions to support selected businesses in delivering improved health and safety performance.

Culture and Values

Risk description

G4S provides security to people, premises and valuable assets. In its care and justice services businesses it also provides services to detainees, victims of crime, people needing state assistance, vulnerable people and other members of the public. This requires our staff to conduct themselves with the utmost integrity. We operate in many different countries around the world with a diversity of local and national cultures. Having a strong set of corporate values that unite the organisation, deeply embedded in our culture, is of particular importance.

If we fail to behave in accordance with the high standards that we set ourselves there is a risk that we will not deliver on our commitment to customers, and fail to comply with legislation and international standards.

Risk mitigation approach

The group has a strong set of corporate values which are embedded in training, displayed very publically in our offices around the world and reflected in management performance contracts. During 2015 we have conducted a review of these values, recognising that they were originally developed in 2004. Whilst many elements of the original values remain relevant to our business strategy today, we believe that they now better reflect the standards we expect from our staff and the commitments we make to our stakeholders. More information on our new values can be found on page 17.

We have a global whistleblowing process and central whistleblowing case management system in place which provides us with visibility of whistleblowing issues and helps us to assess trends and root causes. We have ethics steering groups at group level and in each region which oversee the whistleblowing investigation process and provide guidance to countries on ethical matters.

Mitigation priorities for 2016

Our revised corporate values will be re-launched to the organisation and our stakeholders. This will be supported by an employee engagement programme to ensure they are embedded in our core processes for selecting, hiring, on-boarding, training and development of our colleagues around the world. They will also be a key element of how we assess the performance of our leaders and the basis on which our other corporate policies and standards will develop.

In the UK & Ireland business we have a strong focus on the awareness of our corporate values and the whistleblowing process in prisons and other secure establishments. Members of our Group Executive Committee are undertaking a programme of visits to these locations to help ensure this is embedded successfully.

People

Risk description

We are the largest employer listed on the London Stock Exchange, employing 610,000 people world-wide, and the largest security solutions provider in the world. In a global and diverse business such as ours, there are risks associated with recruiting, motivating, developing and training employees on a large scale, as well as rewarding appropriately and retaining our critical talent and ensuring effective succession in management roles. Screening is also a particular challenge in some territories which lack supporting infrastructure from the relevant authorities.

Risk mitigation approach

The group has mandatory human resources controls which all countries are required to implement. In those territories where local circumstances make it impossible to fully comply with the screening and vetting elements we identify alternative measures, approved by group human resources, to mitigate the risk as much as possible.

In 2015, we undertook our fourth global employee engagement survey. 449,000 employees responded, approximately 75% of the workforce. The survey data helps shape our group-wide human resources and engagement strategies, as well as providing our management and supervisors at a local level with information on key issues impacting employee

engagement levels. Information regarding the outcomes of our engagement survey can be found in the People and Values section of this report on page 18.

We review in detail the performance and potential of approximately 3,000 managers across the group to help identify development needs and build succession plans. We also run a regional leadership programme to nurture talented individuals early in their careers and develop them into more senior roles as they move through the organisation.

The employee survey and country risk registers have both shown improvement in overall employee engagement.

Mitigation priorities for 2016

Following feedback from the management survey in 2015 a review of incentives took place. They will continue to be scrutinised to ensure they are driving sustainable performance and the link between individual contribution and reward remains clear. Other feedback in the survey related to opportunities for career development. Further modules will be added to the regional leadership programme and some of the programme materials will be made more widely available to other managers who wish to make use of them to support their long term development.

Brand and Reputation

Risk description

We provide our customers across the world a wide range of high quality, well controlled services. Nevertheless the nature of the group's activities means that we can face high inherent reputational risks related to the countries in which we operate, the services which we provide, the customers and suppliers with which we work, the people in our care and our interactions with members of the public with whom our colleagues come into contact.

When we fail to meet either our own standards or the expectations of our key stakeholders there is the potential for negative impact upon our customers, suppliers, the people in our care, or the communities in which we work. This adverse impact on our key stakeholders is likely to lead to damage to the group's reputation.

Risk mitigation approach

The mitigation approach described under the culture and values risk and others plays an important part in maintaining our reputation. Additionally, our human rights framework is embedded in key systems and business decision-making processes across the group, such as evaluating new market entries, analysing the risks of entering into new contracts or operational areas. We have a central media relations team which actively engages with commentators and critics.

The serious events at Medway have put G4S in the public eye, increasing our reputational risk.

Mitigation priorities for 2016

We will continue to focus on building colleagues' sense of responsibility to report issues, and ensuring they feel confident and safe that they can raise concerns that will be taken seriously and treated positively. We are re-launching and further embedding our values, clarifying the expected behaviours of our people. We are developing and implementing a

political risk management process. Human rights will continue to form an important part of our risk assessment and mitigation process, with the implementation of a new control-self assessment for businesses operating in high risk countries.

Major contracts

Risk description

The group has a number of long term, complex, high value contracts with multi-national, government or other strategic customers. For such contracts there are risks to the group accepting onerous contractual terms; mobilising contracts; transitioning effectively from mobilisation to on-going contract management; delivering to contractual requirements; managing complex billing arrangements; managing contract change control; and managing sub-contractors. Failure to ensure effective contract take-on, mobilise successfully and manage complex contracts effectively throughout their lifecycles can impact the group's liabilities, customer satisfaction, reputation, revenue, cash flow, growth and profitability.

Risk mitigation approach

We have strict thresholds for the approval of major bids involving both detailed legal review and senior management oversight. These are embedded into our Salesforce opportunity management tool. When appropriate we conduct external review of bid models.

For our most significant running contracts, primarily in the UK, we perform 360° reviews of all aspects of contract management and performance. Internal Audit perform focused contract audits of the most complex contracts. We have also continued to perform a quarterly financial review of the top 25 contracts in each region.

We believe that the improvements we have made to controls in this area over the last two years have significantly reduced both the risk of taking on new contracts which will become materially onerous and the risk that further existing legacy contracts will become materially onerous.

Mitigation priorities for 2016

We will continue to enhance the contract pre-signing review process, taking account of lessons learned from any underperforming contracts. An increased proportion of group internal audit reviews in the UK business will focus on major contracts.

Delivery of core service lines

Risk description

We deliver our core secure solutions services in 84 markets and our core cash solutions services in 48 markets. A number of these businesses have been acquired over time, resulting in cultural differences, varying degrees of operational maturity and a multiplicity of information systems.

This can create risks around core operational service delivery and supporting functions. Failure to meet the service delivery requirements of our customers, because we have not implemented the right solutions or followed appropriate agreed procedures, can create risks around cash losses, attacks on our staff, subcontractors or third parties and the non-delivery of the service level agreements and KPIs agreed with our customers.

Additional risks relate to business resilience, including from climate change such as extreme weather or mass migration, control systems, and the availability of critical systems, facilities and people to perform contractually agreed services.

This can lead to financial penalties, and negatively impact customer retention and goodwill, to the detriment of financial performance.

Risk mitigation approach

G4S has a set of global best practice service delivery guidelines for both secure solutions and cash service lines. It is the responsibility of regional management to work with countries to progressively adopt these standards. Risks to resilience arising from climate change are considered on an on-going basis by relevant country management teams. A new intranet has been launched in early 2016, bringing together 65,000 users in G4S worldwide. This gives all of our intranet users common access to news and corporate information, and enable our people to share best practice and interact with colleagues from around the globe, in innovative and exciting ways.

Mitigation priorities for 2016

We have initiated a programme to deliver a global information system supporting the end to end Order to Cash process in our secure solutions service lines. This will be based on commercial best practice for finance and HR and G4S best practice for operational delivery. The programme will be piloted initially in our UK & Ireland businesses and then be rolled out globally over a number of years. This will transform our cost structure, strengthen our control environment and provide a platform for embedding our service delivery standards globally, thus transforming the quality of our customers' experience.

Laws and Regulations

Risk description

G4S operates in many jurisdictions globally, with complex and diverse regulatory frameworks. An additional complexity arises from the extraterritorial reach of some of the legislation to which the group is subject.

Risks include increasing litigation and class actions; bribery and corruption; obtaining operating licences; complying with local tax regulations; changes to employment legislation; complying with human rights legislation; and new or changed restrictions on foreign ownership. Risk also arises from new or changing regulations which require modification of our processes and staff training.

Not being compliant with applicable laws and regulations can have far reaching consequences, including higher costs from claims and litigation; inability to operate in certain jurisdictions, either through direct ownership or joint ventures; loss of management control; damage to our reputation; and loss of customer confidence.

Risk mitigation approach

Our internal policies and procedures clearly set out that most of these risks, including compliance with local laws and regulations, are the direct responsibility of local management. Ethics steering groups at group and regional level are in place to provide oversight and support compliance with the internal policies and procedures to mitigate the risks. Specifically, whilst ownership of implementing anti-bribery and corruption policies lies

with the business managing directors, our legal community have compliance oversight with a direct escalation route to the group legal counsel.

Group legal and regional leadership closely monitor risks of changes in foreign ownership laws and make appropriate plans to respond. G4S continues to liaise with relevant governments and authorities to influence positively the regulatory environments in which we work.

Mitigation priorities for 2016

We will be implementing a process for political risk management to ensure that we are monitoring regulatory and other emerging political risks within our key markets. This process will be supported by a programme to enhance our engagement with regulators, politicians and political influencers across the group.

Growth strategy

Risk description

Our growth strategy is to leverage our expertise to drive innovation in our core service lines which delivers more value to our customers and so increases long-term customer partnerships.

There are risks that we will fail to create higher value solutions that differentiate us from local commoditised competitors; that we will lose contracts or growth opportunities through price competition and market changes; that we fail to enter target markets successfully; that we become over-reliant on large customers; and that adverse government legislation changes could impact on our growth potential or force exit from markets and territories.

Risk mitigation approach

Our development of new service offerings, particularly in electronic security and cash solutions, is focused on those centres of excellence where we have the strongest capability. We then leverage our global networks to offer these services globally. In particular, our global accounts programme supports and promotes our multinational accounts and focuses on cross-selling our more specialist services such as investigations and secure logistics. Our 'outbound' programme works with Chinese and North American multinational customers to provide services to them on a global scale. We have seen a deceleration in growth opportunities in developing markets, which we mitigate through the diversity of industries and markets we are able to serve and by leveraging our portfolio of products to offer alternative cost efficient solutions to those industries with a requirement to adjust their investments in security.

Mitigation priorities for 2016

We continue to invest in and develop our sales and business development systems and capabilities. We are placing a renewed focus on customer satisfaction monitoring to improve measurement of our engagement with our clients and therefore making us more effective in driving stronger customer relationships. We are further developing our customer relationship management tools to embed core measurement and reporting of our service level agreements and key performance indicators with customers.

Geo-political

Risk description

We operate in many countries across the developed and developing world, with wide-ranging government and political systems, differing cultural landscapes, and varying degrees of rule of law; and within conflict and post-conflict zones. The risk factors range from political volatility, revolution, terrorism, military intervention and insurgency. The geo-political risks we face impact us in many ways: the health and safety of our staff and customers; the continued operation of our businesses; and the ability to secure our assets and recover our profits

Risk mitigation approach

We perceive the external threat to have increased, given terrorist attacks such as those in Paris in November 2015 or Jakarta in January 2016, continued seizure of territory by Islamic State, tensions in Ukraine, Yemen and the potential increase in political instability and the risk of civil unrest in parts of Africa and Latin America. Given the wide range of countries in which the group operates there will always be some with a degree of serious political instability. We have a global process for assessing the geopolitical risks of different countries which determines the types of customers we will serve and the types of services we will provide.

We have a great deal of experience of operating in a wide range of difficult territories. We collaborate with our local partners and/or agents; conduct early risk assessments before and during security assignments; have robust operating procedures; and work closely with our local and global customers in managing the risks of operating in such environments. Our G4S Risk Management business has particular expertise in providing secure solutions in very high risk, low infrastructure environments.

Mitigation priorities for 2016

We will be implementing a process for political risk management to enhance our monitoring of emerging political risks within our key markets.

Information security

Risk description

The customers, staff, suppliers and partners of G4S which entrust their sensitive and confidential business information into our care rightly expect that we take all reasonable steps to protect it.

Given G4S' high profile, we are at risk of cyber and physical attack by criminal organisations and individual hackers. There is also the risk that an individual with legitimate access to business information could disclose it inappropriately, or that an insider could disrupt availability of key systems.

An information security breach could result in: censure and fines by national governments; loss of confidence in the G4S brand and reputation; specific loss of trust by customers, especially those in government and financial sectors; and disruption to service delivery and integrity, particularly in cash solutions operations.

Risk mitigation approach

G4S has implemented "defence-in-depth" technologies (i.e. multiple layers of defence) in key systems to protect business information entrusted to us. We have mandatory policies and best practice guidance for application by operating businesses across the group. Our

minimum mandatory security controls are continually refined and updated in line with our assessment of threats. Compliance with the controls is measured through self-assessment and independently audited by group internal audit.

In early 2016, G4S migrated successfully all its businesses to one unified office productivity suite, Google Apps, covering over 65,000 employees. This gives us improved controls and security of email and corporate documents.

Mitigation priorities for 2016

We continue to protect our corporate information in line with recognised best practice, and select the appropriate security enforcing controls required in each of our information systems. Our mitigations reflect the G4S IT strategies, local operating conditions and the corporate risk appetite.

Cash losses

Risk description

We have cash solutions businesses spread across the world responsible for cash held on behalf of our customers. We provide cash transportation from one site to another in high security vehicles, a range of cash management services including secure storage, counting, reconciliation and sorting of notes for ATMs; a range of ATM services; and secure storage and international transportation of cash and valuables.

There are inherent risks in this business related to external attacks, internal theft and poor cash reconciliation.

Cash losses can have a major impact for our customers and G4S in respect of loss of profit, increased cost of insurance and health and safety considerations for our staff and the public.

Risk mitigation approach

We have clearly defined standards for reconciliation and operational cash controls. The group internal audit cash reconciliation team is responsible for auditing compliance with these standards. An e-learning “academy” for cash reconciliation and control, has been developed during 2015.

We also have clearly defined standards for physical cash security. The group cash security function is responsible for monitoring compliance with these; for monitoring attacks and other cash losses; and for communicating lessons learned. Innovative security defence products are in use, ranging from cash box tracking to vehicle protection foam and protective boxes.

Mitigation priorities for 2016

We will be rolling out the e-learning “academy” as a vehicle for driving continuous improvement in cash reconciliation.

Statement of directors’ responsibilities:

The following responsibility statement is repeated here solely for the purpose of complying with Disclosure and Transparency Rule 6.3.5. This statement relates to and is extracted from page 95 of the 2015 Integrated Report and Accounts. Responsibility is for the full 2015

Integrated Report and Accounts, not the extracted information presented in this announcement and the preliminary final results announcement.

“The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors’ Report, Directors’ remuneration report and Corporate governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ responsibility statement

Each of the directors, the names of whom are set out on pages 56 and 57 of this annual report, confirm that, to the best of his or her knowledge:

- the financial statements in this annual report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the company and the group taken as a whole; and
- the management report required by DTR4.1.8R (contained in the Strategic Report and the Directors’ report) includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Strategic Report from the inside front cover to page 53 includes information on the group structure, the performance of the business and the principal risks and uncertainties it faces. The financial statements on pages 116 to 201 include information on the group and the company's financial results, financial outlook, cash flow and net debt and balance sheet positions. Notes 22, 26, 27, 30 and 31 to the consolidated financial statements include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objective, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

Pages 116 to 188 contain information on the performance of the group, its financial position, cash flows, net debt position and borrowing facilities.

Further information, including financial risk management policies, exposures to market and credit risk and hedging activities, is given in note 31 to the financial statements. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Directors are also required to provide a broader statement of viability over a longer period, which can be found on page 46 of the annual report and accounts.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The statement of directors' responsibilities and the strategic report was approved by a duly authorised committee of the board of directors on 24 March 2016 and signed on its behalf by Himanshu Raja, Chief Financial Officer."

Peter David

Company Secretary

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 of our markets.

G4S is quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S is active in over 110 countries and has 611,000 employees. For more information on G4S, visit www.g4s.com.