

Registration number: 01046019

G4S Secure Solutions (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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G4S Secure Solutions (UK) Limited

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G4S Secure Solutions (UK) Limited

Company Information

Directors	D C Hewitson
	J M Hartley
	D Manuelpillai
Company secretary	V J Patel
Registered office	Sutton Park House
	15 Carshalton Road
	Sutton
	Surrey
Independent auditors	SM1 4LD
	PricewaterhouseCoopers LLP
	1 Embankment Place
	London
	WC2N 6RH

G4S Secure Solutions (UK) Limited

Strategic Report for the Year Ended 31 December 2016

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

Fair review of the business

The principal activities of the company during the financial year was the provision of security solutions mainly comprising manned guarding services (including commercial, retail and special events), mobile and response services, key holding, alarm monitoring, electrical and fire security and risk consultancy services.

As shown on the company's income statement on page 10, the company's loss for the year was £2,7940,000 (2015: loss of £1,709,000). The company has net assets of £40,036,000 (2015: £37,559,000).

We have continued to grow our business and to develop and promote the values of quality, reliability and integrity associated with the G4S brand. Our management is firmly focused on the core security activities and on achieving and maintaining market leadership.

Our commitment is, as always, to increase shareholder value through our guiding principles of excellence in our customer services, committed employees, the delivery of innovative products and services, sound commercial decisions and by fostering a climate of continuous improvement.

We anticipate that the company will continue to perform at current levels.

Key performance indicators

The company utilises a wide range of operational performance measures across its business activities. However, these are all activity or contract specific. The company's directors do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

G4S Secure Solutions (UK) Limited

Strategic Report for the Year Ended 31 December 2016 (continued)

Principal risks and uncertainties

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

Price competition

The security industry in the UK is fragmented with relatively low economic barriers to entry and there are a wide variety of operators of varying sizes. Actions taken by our competitors may place pressure on our pricing, margins and profitability, which we seek to counter through offering our customers a wide range of alternative security solutions and continuously reviewing our overhead base, driving efficiency through changing the way we do things and the introduction and better use technology.

Non-delivery of contractual obligations

Failure to correctly assess the contractual requirements and consequential risks could adversely affect the costs and profitability of the company. The mandatory risk assessment processes adopted prior to signing on/off new business and changes to existing businesses together with a post completion regime, are used to mitigate these risks and underpin our ability to deliver against the contractual requirements.

In-sourcing by customers

If the trend towards outsourcing manned security for any reason is to be reversed, the company's revenue and profitability may be adversely affected.

Deterioration in labour relations

The company's most significant asset is its large and committed workforce. Were the current good relationships between the group and its employees to become strained the company's operational performance and reputation may be affected. The company operates a national recognition agreement and enjoys the support of a loyal and committed employee base.

IT systems

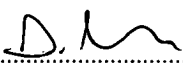
The company makes widespread use of IT systems both in its operations and for financial management. Failure in these systems, including failure in business continuity procedures in the event of physical damage to or inaccessibility of normal systems, could result in reputational damage and the loss of revenue testing in order to mitigate this risk and ensure business continuity in the event of such a failure.

Regulatory requirements

Security can be a high profile industry. There is a wide and ever changing variety of regulations applicable to our business across the UK. Changes in such regulations may adversely affect the company's revenues and profitability, however, the effect of these is normally mitigated through the contracts that we have in place with our customers.

The potential impact of these risks is mitigated through the company's performance management procedures, operational standards and policy of the proactive engagement with customers, industry associations, and government regulators and employee representatives.

Approved by the Board on 26 September 2017 and signed on its behalf by:


.....
D Manuelpillai
Director

G4S Secure Solutions (UK) Limited

Directors' Report for the Year Ended 31 December 2016

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

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

D C Hewitson

J M Hartley

D Manuelpillai (appointed 1 September 2016)

D Taylor (resigned 30 June 2016)

Results and dividends

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

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

Employment of disabled persons

It is the policy of the company to give fair consideration to applications for employment made by disabled persons acknowledging the particular abilities and aptitudes of each applicant and taking into account the requirements of the vacancies available. The company has been assessed and approved to use the Positive about Disabled People logo on its recruitment advertisements in the UK where the company is also a member of the Employers Forum on Disability to raise awareness in the organisation of the importance of giving assistance to disabled persons in employment.

In the event of a member of staff becoming disabled, every effort is made via the Company's Occupational Health Adviser to ensure that their employment with the company continues and that appropriate help is given to assist the member of staff. It is the policy of the company to ensure that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer any disability.

Employee involvement

The company is committed to inform and involve its staff in the business of the company. Formal consultative committees exist to ensure that issues of mutual interest can be discussed and resolved. Company newsletters, employee magazines and other communications are used to keep staff informed of events within the company.

Environmental matters

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

Financial risk management

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

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

G4S Secure Solutions (UK) Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

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

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate for the following reasons. The company received a financial support letter from a parent company to provide sufficient financial assistance to the company if and when it is needed to enable the company to continue its operations and fulfil its currently anticipated financial obligations now and in the future. This undertaking is provided for a period of at least 12 months provided the company remains a member of the parent company's group.

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

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


Disclosure of information to the auditors

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

Independent auditors

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution confirming their re-appointment will be proposed at the Annual General meeting.

Approved by the Board on 26 September 2017 and signed on its behalf by:


.....
D Manuelpillai
Director

G4S Secure Solutions (UK) Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

G4S Secure Solutions (UK) Limited

Independent auditors' report to the members of G4S Secure Solutions (UK) Limited

Report on the financial statements

Our opinion

In our opinion, G4S Secure Solutions (UK) Limited's financial statements (the "financial statements"):

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

What we have audited

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

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

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

G4S Secure Solutions (UK) Limited

Independent auditors' report to the members of G4S Secure Solutions (UK) Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

G4S Secure Solutions (UK) Limited

Independent auditors' report to the members of G4S Secure Solutions (UK) Limited (continued)

What an audit of financial statements involves

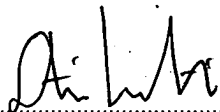
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

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

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

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



Sotiris Kroustis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

1 Embankment Place
London
WC2N 6RH

26 September 2017.

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G4S Secure Solutions (UK) Limited

Income Statement for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Revenue	5	233,059	221,852
Cost of sales		<u>(211,676)</u>	<u>(181,937)</u>
Gross profit		21,383	39,915
Administrative expenses		<u>(19,815)</u>	<u>(34,332)</u>
Operating results	6	1,568	5,583
Finance income	7	205	212
Finance costs	8	<u>(1,396)</u>	<u>(2,399)</u>
Profit before taxation		377	3,396
Tax on profit	15	<u>(2,939)</u>	<u>(5,105)</u>
Loss for the financial year		<u><u>(2,562)</u></u>	<u><u>(1,709)</u></u>

The revenues and results in the income statement above are derived from continuing operations.

G4S Secure Solutions (UK) Limited

Statement of Other Comprehensive Income for the Year Ended 31 December 2016

	2016 £ 000	2015 £ 000
Loss for the year	<u>(2,562)</u>	<u>(1,709)</u>
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Change in fair value of cash flow hedging financial instruments	-	(36)
Transferred to income statement	-	176
Tax on items taken directly to equity	<u>(1)</u>	<u>(31)</u>
Total other comprehensive income, net of tax	<u>(1)</u>	<u>109</u>
Total comprehensive loss for the financial year	<u><u>(2,563)</u></u>	<u><u>(1,600)</u></u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Called up share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	117,900	(127)	(78,664)	39,109
Comprehensive loss:				
Loss for the year	-	-	(1,709)	(1,709)
Other comprehensive income:				
Unrealised gain/(loss) on cash flow hedges before tax	-	(36)	-	(36)
Income tax effect	-	(31)	-	(31)
Transferred to income statement	-	176	-	176
Total comprehensive loss	-	109	(1,709)	(1,600)
Transactions with owners:				
Share based payment transactions	-	-	50	50
At 31 December 2015	117,900	(18)	(80,323)	37,559
At 1 January 2016	117,900	(18)	(80,323)	37,559
Comprehensive income:				
Loss for the year	-	-	(2,562)	(2,562)
Other comprehensive income:				
Income tax effect	-	(1)	-	(1)
Total comprehensive income/(loss)	-	(1)	(2,562)	(2,563)
Transactions with owners:				
New share capital subscribed	5,098	-	-	5,098
Share based payment transactions	-	-	64	64
At 31 December 2016	122,998	(19)	(82,821)	40,158

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

(Registration number: 01046019)

Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Non-current assets			
Intangible assets	12	56,902	57,376
Property, plant and equipment	13	2,100	2,512
Investments	14	5,098	-
Deferred tax assets	15	1,584	5,608
		<u>65,684</u>	<u>65,496</u>
Current assets			
Inventories		-	62
Trade and other receivables	16	51,145	225,398
Cash and cash equivalents		2,328	2,383
Income tax asset		633	1,623
		<u>54,106</u>	<u>229,466</u>
Total assets		<u>119,790</u>	<u>294,962</u>
Current liabilities			
Trade and other payables	17	(79,126)	(256,519)
Provisions		(114)	(21)
		<u>(79,240)</u>	<u>(256,540)</u>
Non-current liabilities			
Provisions		(392)	(863)
Total liabilities		<u>(79,632)</u>	<u>(257,403)</u>
Net assets		<u>40,158</u>	<u>37,559</u>
Equity			
Called up share capital	18	122,998	117,900
Hedging reserve		(19)	(18)
Retained earnings		(82,821)	(80,323)
		<u>40,158</u>	<u>37,559</u>

The financial statements on pages 10 to were approved by the Board of directors on 26 September 2017 and signed on its behalf by:



D Manuelpillai

Director

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

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

1 General information

G4S Secure Solutions (UK) Limited' (the 'Company') is incorporated in the United Kingdom, registered in England and Wales, and domiciled in the UK. It is a private company, limited by shares. The company's registered office is Sutton Park House, 15 Carshalton Road, Sutton, Surrey, SM1 4LD.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it is a wholly-owned subsidiary of a company established in the EU and it is included in the audited consolidated financial statements of its EU-established ultimate parent, G4S plc. The registered office of G4S plc is 5th floor, Southside, 105 Victoria Street, London, SW1E 6QT. These financial statements therefore present information about the company as an individual entity only and not as a group.

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

2 Statement of compliance

These financial statements were prepared in accordance with applicable accounting standards.

3 Significant accounting policies

Basis of preparation

The financial statements have been prepared under the going concern basis and using the historical cost convention, except for the revaluation of certain financial instruments, in accordance with Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP') including FRS 102). The principal accounting policies and measurement bases adopted are set out below and have been applied consistently to all the years presented, unless stated otherwise. Judgements made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, have been disclosed in note 4.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate for the following reasons. The company received a financial support letter from a parent company to provide sufficient financial assistance to the company if and when it is needed to enable the company to continue its operations and fulfil its currently anticipated financial obligations now and in the future. This undertaking is provided for a period of at least 12 months provided the company remains a member of the parent company's group.

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

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

Exemptions

The company has taken advantage of certain disclosure exemptions in FRS 102, in part because its financial statements are included in the publicly available consolidated financial statements of G4S plc. Copies of the consolidated financial statements of G4S plc may be obtained by writing to the Company Secretary, G4S plc, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

These disclosure exemptions relate to:

- the requirements of IAS 7 'Statement of cash flows';
- the statement of compliance with adopted IFRSs;
- new IFRSs that have been issued but are not yet effective and which have not been applied by the company;
- comparative information for the movements from the beginning to the end of the year in respect of intangible assets, property, plant and equipment, and the number of shares, and certain other additional comparative information;
- financial instruments disclosures required by IFRS 7 'Financial Instruments: Disclosures';
- disclosures required by IFRS 13 'Fair Value Measurement';
- movements during the year in the number and weighted average exercise prices of share-based payments, how the fair value of services received or equity instruments granted was determined and the effect of share based payment transactions on the income statement and financial position;
- certain related party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a group; and
- capital management disclosures.

Revenue

Revenue represents amounts receivable for services provided in the normal course of business and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales-related taxes. Revenue is recognised to reflect the period in which the service is provided.

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Finance income and expense

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

Dividend income

Dividend income from investments is recognised when company's right to receive payment has been established.

Foreign currency

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

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Income taxes

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

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

Deferred tax is the tax expected to be payable or recoverable on timing differences that arise from the inclusion of items of income and expense in taxation computations in periods different from those in which they are included in financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the reporting date and which are expected to apply in the periods in which the timing differences are expected to reverse.

Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Intangible assets

Goodwill

All business combinations after 1 January 2014 are accounted for by the application of the Purchase method. Goodwill represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities and contingent liabilities recognised at the date of acquisition.

Some of the goodwill arising from business combinations before 1 January 2014 represents the acquisition of the trade and net assets from certain of the company's former subsidiary companies. This resulted in the recognition of goodwill by the use of the true and fair override, as a portion of the cost of the investment represented a payment for goodwill in the subsidiary. Goodwill was the difference between the original cost of investment less the net assets transferred when the trade and net assets were transferred into the company.

Goodwill is stated at cost, less accumulated amortisation and impairment losses, and is reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. On disposal of the company's interest the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Acquisition-related intangible assets

Intangible assets on acquisitions that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquisition-related intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquisition-related intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earnings method.

Acquisition-related intangible assets are amortised by equal annual instalments over their expected lives. The directors review acquisition-related intangible assets on an ongoing basis and, where appropriate, provide for any impairment in value.

The estimated useful lives are as follows:

Customer contracts and customer relationships: up to a maximum of ten years

Other intangible assets

Capitalised computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful lives up to a maximum of eight years. Where significant, the residual values, amortisation methods and useful lives of intangible assets are re-assessed annually if there is an indicator that these may have changed.

Amortisation

Amortisation on all intangible assets is recognised within administrative expenses in the Income Statement.

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment other than freehold land.

Depreciation is calculated so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Asset class	Depreciation method and rate
Short leasehold land and buildings	over the period of the lease
Plant and equipment	3 to 15 years

Assets under construction are not depreciated until they are ready for use.

Assets held under finance leases are depreciated over the shorter of the expected useful life and the term of the relevant lease. Where significant, the residual values, depreciation methods and useful lives of property, plant and equipment are re-assessed annually if there is an indicator that these may have changed.

Investments

Investments in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated on a first-in-first out basis.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Financial instruments

Under FRS 102, the company has chosen to apply the recognition and measurement provisions of IAS 39, as adopted by the European Union. As a result, the accounting requirements of IAS 39 have been applied to all financial instruments instead of those in FRS 102.11 and FRS 102.12.

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

Trade receivables

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

Amounts owed by/to group undertaking

Amounts owed by/to group undertakings are recognised initially at fair value and subsequently stated at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade payables

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

Equity instruments

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

Derivative financial instruments and hedge accounting

In accordance with the G4S plc group treasury policy, the company only holds or issues derivative financial instruments to manage its exposure to financial risk and not for trading purposes. See note 23 for a description of these risks and how they are managed.

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

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

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

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

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Employee benefits

Retirement benefit costs

The G4S plc group, of which the company is a member, operates both defined contribution and defined benefit pension schemes.

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Share based payments

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Pre-contract costs and mobilisation costs

Pre-contract costs in respect of major outsourcing contracts, incurred after the point at which the group achieves preferred bidder status (at which point it is considered probable that the contract will be obtained) and before contract mobilisation, are capitalised and expensed over the life of the contract, subject to recoverability criteria. Costs incurred prior to this point are expensed as incurred. Capitalised costs are expensed immediately in the event that preferred bidder status is not followed by the award of the contract, or where these may no longer be expected to be recovered through future profits.

Mobilisation costs are those costs incurred after the signing of a contract with a customer, and prior to commencement of delivery of the contract. Costs incurred during this stage are generally only capitalised if the criteria to be capitalised as inventories or as property, plant and equipment are met. In all other cases mobilization costs are expensed as incurred.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Impairment

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

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

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

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. On occasion this classification requires a level of judgement. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the lease term, as are incentives to enter into operating leases.

Deferred income

Amounts received prior to the delivery of services are recorded as deferred income and released to the income statement as the services are provided.

Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. The amount recognised as a provision is the company's best estimate of the cost of settlement at the end of the reporting period.

In respect of claims and litigation, the company provides for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. For all risks, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. Management exercise judgement in measuring the exposures to contingent liabilities (see note 4) through assessing the likelihood that a potential claim or liability will arise and in quantifying the possible range of financial outcomes.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Onerous contracts

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management profit improvement plans to recover the position on loss-making contracts require a level of judgement and are generally taken into account in the calculation of the onerous contract provision only when implementation has commenced and tangible evidence exists of benefits being delivered. The provision is calculated based on discounted cash flows to the end of the contract. In general, provisions recognised for future losses are charged to the income statement. Where onerous contract provisions are material by virtue of their size, they are separately disclosed within specific items. In-year operating losses from onerous contracts are accounted for as a utilisation of the related provision for future losses. Any excess or shortfall to the initial estimate for onerous contract provisions is credited or charged in the income statement consistent with where the charge for the initial provision was recognised.

Vacant property provisions are recognised when the group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on discounted cash flows to the end of the lease taking into account expected future sub-lease income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow investments related to the hedged transactions that have not yet occurred (net of tax).

Dividends distribution

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders at a general meeting.

4 Accounting estimates, judgements and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the company's accounting policies. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and in some cases, actuarial techniques.

Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

4 Accounting estimates, judgements and assumptions (continued)

Revenue recognition and contract review

The company delivers outsourcing services that in some circumstances can be complex in nature and may be governed by unique contractual arrangements. There is a risk that revenue recognition on these contracts is not in accordance with contractual entitlements and therefore provisions may be required to be recognised. Estimates and judgements are therefore required to determine the appropriate level of provisioning applied to these contracts.

Deferred tax

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

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

5 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Rendering of services	<u>233,059</u>	<u>221,852</u>

Revenue arose from activities originating solely in the United Kingdom.

6 Operating results

Arrived at after charging

	2016 £ 000	2015 £ 000
Depreciation expense	1,213	1,442
Amortisation expense	605	4,371
Operating lease expense - property	990	1,506
Operating lease expense - other	1,260	1,183
Loss on disposal of property, plant and equipment	114	230
Redundancy	<u>198</u>	<u>229</u>

7 Finance income

	2016 £ 000	2015 £ 000
Interest from group undertakings	<u>205</u>	<u>212</u>

8 Finance costs

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	45	33
Other finance costs	<u>1,351</u>	<u>2,366</u>
	<u>1,396</u>	<u>2,399</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	181,376	159,695
Social security costs	16,093	13,721
Other pension costs	1,415	1,492
	<u>198,884</u>	<u>174,908</u>

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Operational	9,995	9,070
Administration and support	375	436
	<u>10,370</u>	<u>9,506</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	<u>839</u>	<u>590</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	-	2
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>-</u>

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	<u>290</u>	<u>375</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

11 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit of these financial statements	115	98

12 Intangible assets

	Goodwill £ 000	Other acquisition related intangibles £ 000	Other intangible assets £ 000	Total £ 000
Cost				
At 1 January 2016	69,745	1,834	3,489	75,068
Disposals	-	-	(1,102)	(1,102)
Transfers	-	-	187	187
At 31 December 2016	69,745	1,834	2,574	74,153
Accumulated amortisation				
At 1 January 2016	14,895	524	2,273	17,692
Amortisation charge	-	-	605	605
Amortisation eliminated on disposals	-	-	(1,046)	(1,046)
At 31 December 2016	14,895	524	1,832	17,251
Carrying amount				
At 31 December 2016	54,850	1,310	742	56,902
At 31 December 2015	54,850	1,310	1,216	57,376

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

13 Property, plant and equipment

	Short term leasehold £ 000	Fixtures, equipment and vehicles £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
At 1 January 2016	676	4,884	580	6,140
Additions	-	714	328	1,042
Disposals	-	(2,655)	-	(2,655)
Transfers	-	591	(776)	(185)
At 31 December 2016	<u>676</u>	<u>3,534</u>	<u>132</u>	<u>4,342</u>
Accumulated depreciation				
At 1 January 2016	342	3,286	-	3,628
Charge for the year	45	1,168	-	1,213
Eliminated on disposal	-	(2,599)	-	(2,599)
At 31 December 2016	<u>387</u>	<u>1,855</u>	<u>-</u>	<u>2,242</u>
Carrying amount				
At 31 December 2016	<u>289</u>	<u>1,679</u>	<u>132</u>	<u>2,100</u>
At 31 December 2015	<u>334</u>	<u>1,598</u>	<u>580</u>	<u>2,512</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

14 Investments

The principal companies in which the company's direct interest as at 31 December 2016 is more than 20% are as follows:

Subsidiary undertakings	Class of holding	Direct ownership	Nature of business	Registered address
G4S Fire & Security Systems Limited	Ordinary shares	100%	Holding company	Site 16 Sydenham Business Park, 12 Heron View Airport Road West, Belfast, BT3 9LN
G4S Security Services (UK) Limited	Ordinary shares	100%	Security services	Sutton Park House, 15 Carshalton Road, Sutton, Surrey, SM1 4LD

15 Tax on profit

Tax charge in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	(632)	-
UK corporation tax adjustment to prior periods	(453)	(572)
	<u>(1,085)</u>	<u>(572)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	3,986	5,693
Arising from changes in tax rates and laws	93	553
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(55)	(569)
Total deferred taxation	<u>4,024</u>	<u>5,677</u>
Tax expense in the income statement	<u><u>2,939</u></u>	<u><u>5,105</u></u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

15 Tax on profit (continued)

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

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before taxation	377	3,396
Corporation tax at standard rate	75	688
Increase in current tax due to permanent differences	-	848
Non-taxable income	(9)	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	73	-
Increase in current tax due to equity settled share based payments	-	10
Deferred tax credit on equity settled share based payments	-	(6)
Increase (decrease) from transfer pricing adjustments	(1,215)	-
Write off of deferred tax assets	4,430	-
Decrease in current tax relating to adjustments in respect of prior periods	(453)	(572)
Deferred tax expense/(credit) relating to adjustments in respect of prior periods	(55)	(569)
Deferred tax expense/(credit) following a change in tax rates	93	553
Increase in current tax due to impairment	-	1,546
Deferred tax expense arising from a write-down of a previously recognised asset	-	2,607
Total tax charge	2,939	5,105

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

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the reporting date and which are expected to apply in the periods in which the timing differences are expected to reverse.

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

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

15 Tax on profit (continued)

Deferred tax

Deferred tax assets

	Asset £ 000
2016	
Tax losses carry-forwards	-
Accelerated tax depreciation	1,502
Other items	51
Derivatives	-
Share-based payment	31
	<u>1,584</u>

	Asset £ 000
2015	
Tax losses carry-forwards	4,000
Accelerated tax depreciation	1,590
Other items	-
Derivatives	1
Share-based payment	17
	<u>5,608</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

15 Tax on profit (continued)

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2016 £ 000
Tax losses carry-forwards	4,000	(4,000)	-	-
Accelerated tax depreciation	1,590	(88)	-	1,502
Other items	-	51	-	51
Derivatives	1	-	(1)	-
Share-based payment	17	14	-	31
Net tax assets	<u>5,608</u>	<u>(4,023)</u>	<u>(1)</u>	<u>1,584</u>

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2015 £ 000
Tax losses carry-forwards	10,121	(6,121)	-	4,000
Accelerated tax depreciation	1,163	427	-	1,590
Other items	-	-	-	-
Derivatives	32	-	(31)	1
Share-based payment	-	17	-	17
Net tax assets	<u>11,316</u>	<u>(5,677)</u>	<u>(31)</u>	<u>5,608</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

16 Trade and other receivables

	2016 £ 000	2015 £ 000
Current		
Trade receivables	35,573	39,309
Provision for impairment of trade receivables	<u>(406)</u>	<u>(442)</u>
Net trade receivables	35,167	38,867
Amounts owed from group undertakings (members of the G4S plc group)	2,579	174,856
Other receivables	369	218
Accrued income	8,813	5,963
Prepayments	4,217	5,494
Income tax asset	<u>633</u>	<u>1,623</u>
	<u>51,778</u>	<u>227,021</u>

Included in amounts owed by group undertakings are loans with interest charged at LIBOR plus 2.5%.

All other amounts owed by group undertakings are trading in nature, unsecured, interest free and repayable on demand.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

17 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	3,870	2,965
Accrued expenses	5,613	7,135
Amounts owed to group undertakings	30,662	212,652
Social security and other taxes	14,416	11,535
Other payables	19,048	16,248
	<u>73,609</u>	<u>250,535</u>

Included in amounts owed to group undertakings is a loan which is repayable on demand and interest is charged at a rate of LIBOR plus 2.5%. All other amounts are trading in nature, unsecured, interest free and repayable on demand.

18 Called up share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £1 each	<u>122,998</u>	<u>122,998</u>	<u>117,900</u>	<u>117,900</u>

During the year 5,098,000 ordinary £1 shares were issued in the company.

19 Obligations under leases

Operating leases

The total future value of minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Within one year	1,682	1,801
In two to five years	1,894	1,650
In over five years	350	7
	<u>3,926</u>	<u>3,458</u>

The notes on pages 14 to 37 form an integral part of these financial statements.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

20 Pension arrangements

The G4S plc group operates both defined benefit and defined contribution pension schemes. Employer contributions to these schemes are fixed at a set level or set percentage of employees' pay. Total pension costs of £1,357,000 (2015: £1,442,000) have been charged to the income statement. Unpaid contributions owed to the scheme amounted to £303,000 as at 31 December 2016 (2015: 303,000).

Defined benefit scheme

The defined benefit scheme is comprised of three sections. The UK scheme is closed to future accrual apart from some sub-sections of the GSL section, and for most members defines the pension based on final salary. Certain sub-sections of the GSL section have historically remained open to provide a facility to accept former public-sector employees who join the G4S plc group through outsourcings. In the Group 4 and Securicor sections, members retain their link to final salary where appropriate on their benefits accrued up to closure in 2011.

As there is no contractual agreement or stated policy for charging the net defined benefit cost of the defined benefit scheme to the company, the pension charge recognised in the income statement represents the contributions payable for the year. Further information on the defined benefit scheme has been disclosed in the consolidated financial statements of G4S plc.

Defined contribution scheme

The pension charge recognised in the income statement for the defined contribution scheme represents the contributions payable for the year.

21 Share-based payments

The shares are allocated under G4S plc performance share plan and vest after three years, to the extent that certain non-market performance conditions are met. The vesting occurs on the third anniversary of the date the shares were allocated conditionally.

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2016 was 14 months (2015: 16 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 188.1p (2015: 268.0p). The contractual life of all conditional allocations was three years.

22 Contingent liabilities

The company is included within a group composite banking arrangement with certain fellow subsidiary undertakings and has provided an unlimited guarantee.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

23 Derivative financial instruments

Compound financial instruments with multiple embedded derivatives

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

	Assets 2016 £ 000	Assets 2015 £ 000	Liabilities 2016 £ 000	Liabilities 2015 £ 000
Commodity swaps designated as cash flow hedges	-	-	-	(19)
Less: amount due for settlement within 12 months (shown under current liabilities)				
Commodity swaps designated as cash flow hedges	-	-	-	19
Amount due for settlement after 12 months	-	-	-	-

The company had no derivatives at 31 December 2016.

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

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

Commodity risk and commodity swaps

The company's principal commodity risk in 2015 related to the fluctuating level of diesel prices. The company had transactions with a fellow subsidiary company in the G4S plc group, which acts as a market intermediary arranging commodity swaps with its relationship banks, and has back to back deals on identical terms with the company to fix synthetically part of the exposure and reduce the associated cost volatility.

These swaps matured during the year.

G4S Secure Solutions (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

24 Parent and ultimate parent undertaking

The company's ultimate parent company and ultimate controlling party is G4S plc, a company incorporated in the United Kingdom.

The parent undertaking of the largest and smallest group, which included the company and for which group accounts are prepared, is also G4S plc. The company's immediate parent undertaking is G4S UK Holdings Limited, a company incorporated in the United Kingdom.

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