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# Delivering value for our customers and shareholders

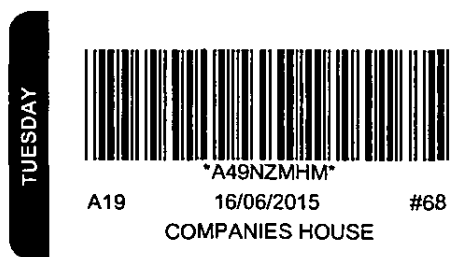


IMAGE REMOVED

Securing your world

Annual Report and Accounts 2014

G4S is the world's leading global, integrated security company specialising in the provision of security and related services to its customers across six continents.

Our mission is to create sustainable value for our customers and shareholders by being the supply partner of choice in all of our markets.

Our strategy addresses a positive, long term demand outlook for our core services and seeks to deliver sustainable, profitable growth.

Our strategic plan focuses on growth, productivity, active portfolio management and disciplined financial and risk management.

Our success is underpinned by our customers, our people and our values.

#### Financial highlights

Underlying revenue<sup>1</sup>

£6.8bn

(2013 £6.5bn<sup>2</sup>)

Underlying PBITA<sup>1</sup>

£424m

(2013 £393m<sup>2</sup>)

Underlying EPS<sup>1</sup>

13.6p

(2013 12.9p)

Total revenue<sup>3</sup>

£6.8bn

(2013 £6.6bn)

Total PBITA<sup>3</sup>

£329m

(2013 £23m)

Total EPS<sup>3</sup>

9.8p

(2013 (24.7p))

Total cash generated by  
continuing operations

£553m

(2013 £496m)

Dividend per share

9.24p

(2013 8.96p)

<sup>1</sup> To clearly present underlying performance, specific items have been excluded and disclosed separately – see page 90. For basis of preparation and an analysis of specific items see page 91.

<sup>2</sup> 2013 underlying results are shown at constant exchange rates and have been re-stated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio management programme – see page 90 for details.

<sup>3</sup> Including specific items. See page 91 for details.

## Strategic priorities at a glance

IMAGE REMOVED

IMAGE REMOVED



See page 14

**1 Transform our culture through our people and values**



See page 20

**2 Invest in organic growth, customer service and operational excellence**

IMAGE REMOVED

IMAGE REMOVED



See page 24

**3 Make our organisation more productive**



See page 28

**4. Actively manage our portfolio and performance**

IMAGE REMOVED



See page 30

**5 Embed disciplined financial and risk management**

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Visit [www.g4s.com](http://www.g4s.com) for more information

## Strategic report

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# Our services

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G4S works to safeguard the welfare and prosperity of millions of people worldwide – helping to create safer and better environments in which people live and work. The breadth of our services and geographic coverage provides both resilience and growth opportunities.

IMAGE REMOVED

## Secure solutions



84%  
group revenue

### Security and facilities management (FM) services

#### Market and strategy

G4S is a global provider of security and FM services with a top-three market position in the majority of the 91 manned security markets in which we operate. Security and facilities management services accounted for 59% of group revenues in 2014.

As one of the few global security companies, our main international competitors in developed markets tend to be regional and international companies operating in a single market segment such as manned security, security systems or facilities management. There are also many local security companies operating in developed and emerging markets.

We aim to differentiate our business to customers through our expertise, excellent service delivery, integrated security solutions and geographic coverage.

#### The secure solutions business covers a wide range of services, including

<b>Risk services and consultancy</b>	Risk management and consultancy services including risk analysis, personal protection, compliance and investigations, training, mine detection and clearance services
<b>Monitoring and response</b>	Key holding, mobile security, patrol and response services, and alarm receiving and monitoring facilities
<b>Secure facilities services</b>	Integrated facilities services for entire sites or estates for commercial customers and governments
<b>Manned security services</b>	Trained and vetted security officers

Revenue

**£4,004m**  
(2013: £3,898m)

### Security systems and technology

#### Market and strategy

Security systems and technology represented around 8% of group revenue in 2014.

The global security systems market is a large growing market (source: Freedonia, November 2014) but regional market dynamics vary widely in terms of competition, products sold and customer segments. Our technology strategy therefore has to adapt to meet each region's unique requirements.

We aim to drive outsourcing and enhance the value of traditional security services through greater use of technology (see p23).

#### Security systems and technology includes

<b>Security installation and maintenance</b>	Access control, CCTV, intruder alarms, fire detection and video analytics to identify and notify operators of issues
<b>System software/integration</b>	Security and building systems technology integration

Revenue

**£566m**  
(2013: £550m)

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## Care and justice services

### Market and strategy

Care and justice services represented around 9% of group revenue in 2014. The market structure is typically consolidated on the supply side with a small number of providers. Larger companies are usually better equipped to deliver such highly specialised services.

While the care and justice services market is concentrated primarily in the UK, USA, Australia and New Zealand, we see a number of countries exploring the possibility of outsourcing these services to the private sector in the future.

**Care and justice services offers highly specialised services to central and local governments and government agencies and authorities**

<b>Juvenile and adult custody and rehabilitation</b>	Management of all aspects of a facility and those held within the facility – similar centres are also used for the detention of asylum applicants
<b>Prisoner escorting</b>	Transportation of prisoners and asylum applicants between courts, police stations and custody and asylum centres
<b>Asylum services</b>	Management of housing provision and other services for asylum applicants
<b>Electronic monitoring</b>	Electronic tagging and monitoring of offenders at home or in the community

Revenue

**£605m**  
(2013 £586m)

## Specialist outsourced services

### Market and strategy

Based mainly in the UK, G4S offers a range of outsourcing services, which together accounted for around 8% of group revenues in 2014.

We aim to offer innovative and cost-effective solutions to customers.

<b>Police services</b>	Support for frontline policing including the provision of custody suite services and forensic medical services, and back-office support functions for police forces
<b>Welfare-to-work programme</b>	Assisting long-term unemployed people into work
<b>Utility services</b>	Data and meter services, and contact centre management for private energy and utility companies

Revenue

**£504m**  
(2013 £399m)

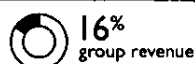
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## Cash solutions



16%  
group revenue

### Cash solutions & secure logistics

#### Market and strategy

The cash solutions business accounted for around 16% of group revenue in 2014. We are the market leader or number two in 54 of our 62 cash solutions markets. The main providers of similar services are a small number of international competitors in mainly developed markets. Our cash solutions business is integrated into our wider organisation and processes through shared customers, management structures and systems in many countries. The market is highly regulated, often by central banks, and the business requires complex infrastructure and significant expertise.

We aim to

- play a key role in the management of the cash cycle on behalf of central banks, commercial banks and retailers, allowing them to focus on their core business
- use our developed market cash cycle expertise and track record to encourage central bank and financial institution outsourcing in emerging markets
- continue the expansion of innovative technology such as CASH360™ for retail customers (see page 26)

Revenue

£1,071m

(2013: £1,063m)

#### The cash solutions business covers a wide range of services including

<b>Cash management outsourcing</b>	Managing cash on behalf of financial institutions, including cash transportation, high-security cash centres, counting and reconciling cash, fitness sorting of notes for use in automated teller machines (ATMs), counterfeit detection and removal, distribution of cash to bank branches, ATMs and retail customers
<b>Cash consulting</b>	Provision of consultancy services to central banks and commercial banks on overall cash management strategy, bank note production and security and all aspects of cash cycle efficiency
<b>ATM management</b>	Managing ATMs on behalf of banks, retailers and independent ATM providers – including cash forecasting, cash transportation and reconciliation services, first-line maintenance and ATM engineering services
<b>Retail cash management</b>	Provision of systems and hardware which provide an automated cash office for retail sites to improve security and faster banking of cash, electronic audit trails of takings and a real-time view of retail cash balances
<b>International transportation</b>	Bespoke international transportation and insurance of currency and other valuables
<b>Cash transportation</b>	Secure transportation of cash using specialist vehicles, screened and trained personnel and purpose-built technology to transport, protect, count and reconcile cash to customer records

# Delivering customer focused solutions

Our business model is market led; everything begins with the customer. We seek to understand our customers' strategic and commercial objectives so that we can design and deliver security solutions which support them.

## Customer relationships and contacts

G4S has a very diverse contract portfolio. The duration of contracts varies from annual sporting events to 25-year contracts. In cash solutions, most contracts are annual, with those contracts requiring

a higher capital intensity being usually five years in duration or longer. In practice, many annual contracts lead to long-term relationships.

<p><b>Service excellence</b></p> <hr/> <p><b>Solutions design</b></p>	<p>We foster a high performance culture which focuses on service excellence, operational management and financial performance. High performance leads to strong customer relationships, motivated employees and achievement of strategic goals – critical elements of delivering sustainable, profitable growth.</p> <hr/> <p>By analysing customers' existing and future complex security needs and bringing together our expertise in market sectors, technology, project management and service delivery, we design solutions which help our customers to manage risks, improve service, protect people and assets and achieve their own organisational objectives.</p>
<p><b>Customer understanding</b></p> <hr/> <p><b>Market Demand</b></p>	<p>Understanding customer needs is central to our success. This enables us to align our organisational objectives to those of the customer and means we can help our customers to be successful. See pages 2 to 4 for an overview of our service lines.</p> <p>We build customer understanding through involvement in industry bodies and academic institutions, strategic work with customers, customer service assessments and feedback.</p> <hr/> <p>There is positive demand for our core services around the world. See page 10 for a discussion of some of the market growth drivers.</p>
<p><b>Scale and capabilities</b></p>	<p>With 623,000 dedicated employees and operations in over 110 countries, our ability to deploy skilled staff on a global basis to support local and international customers is central to our business model. This coverage means we can share learning and experiences across our markets to the benefit of our customers and our business. We work in line with relevant international standards and strive to achieve consistent high quality employee engagement, health and safety, training and ethical business practices across our operations.</p>

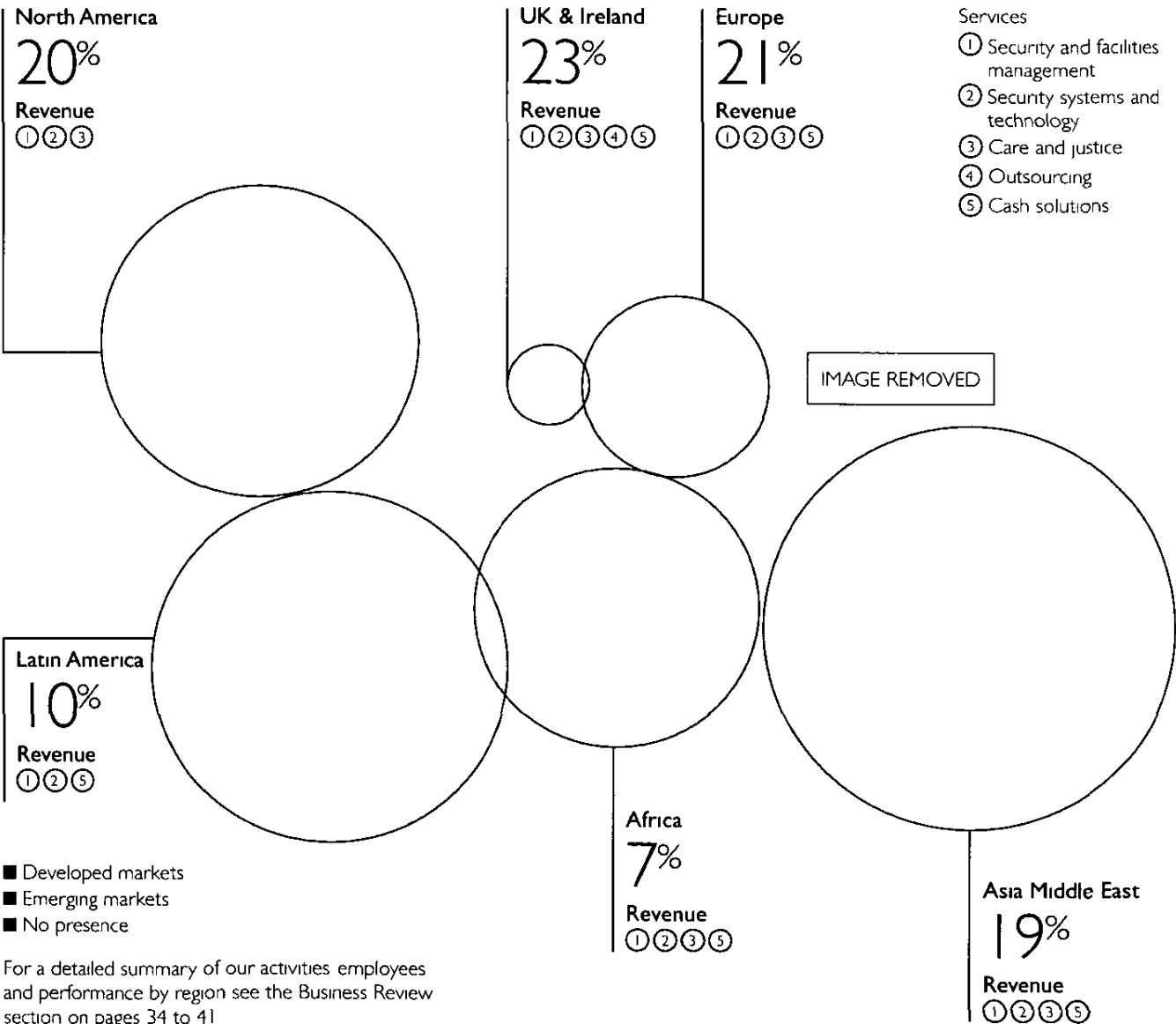
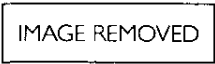
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A key element of our growth and customer service strategy is to leverage the opportunity to design, sell and deliver more sophisticated, complex solutions in more countries. Such services tend to have longer contract terms and higher margins than manned security alone.

# Leveraging strong market positions...

We are a global business with large, established market positions in developed markets and outstanding positions in fast-growing emerging markets. Our emerging market businesses accounted for 36% of group revenues and 40% of profits in 2014.





## ...to meet the growing global demand for security

Our strategy addresses the positive long term demand for security across a wide range of commercial and government customers. We have a diverse range of services to meet our customers' requirements and have a broad geographic footprint to meet their demand for security around the world.

In its recent study into the global security industry, independent research firm Freedonia projects that the security market will grow at an average of 6.8% per annum from 2013 to 2023. See page 10 for a description of some of the drivers of growth.

6.8%

expected market growth from 2013 to 2023 per annum

IMAGE REMOVED

IMAGE REMOVED

John Connolly  
Chairman

## Building on strong foundations

**“As I reported last year, G4S has embarked on a group-wide transformation with a strengthened management team and a clear strategic plan. In 2014 that plan was put into action and the board has been pleased with the clear progress made in all areas of the business, including financial performance. This provides strong foundations for further progress in 2015 and beyond.”**

Dividend per share

9.24p

(2013 8.96p)

### A year of progress

During the second half of 2013 the new management team developed a strategic plan which envisaged a group-wide transformation programme and extensive proposals to implement new processes and disciplines, emphasising our key values of customer service and integrity.

The board approved the new strategic plan in 2013 and in 2014 the board devoted considerable time to assessing the implementation and effectiveness of that plan.

I am delighted to report that, over the course of 2014, the group has moved forward across a broad front as management has made excellent progress executing the group's strategic plan with great skill and energy. The board has been particularly pleased with the progress made in strengthening the global leadership team, reinforcing the group's values, investing in organic growth, customer service and operational efficiency. Management also successfully supplemented the group's portfolio management programme and strengthened risk management.

In March the company reached a settlement with the UK Government in relation to historical billing issues and management developed and began implementing a fundamental programme of corporate renewal. This focused on strengthening the culture and control processes in our UK Government business.

As noted above, the group's transformation programme extends well beyond our UK Government business and is being implemented on a group-wide basis. The board has been pleased with the progress made to date and will continue to monitor management's implementation of the programme during 2015.

### The Board

In 2015, we will be making a number of changes to the membership of the board. Mark Seligman has now served on the board for nine years and in line with UK corporate governance guidelines, will retire from the board after the 2015 AGM. Mark has made a significant contribution to the board during a period of great change and I am very grateful for all that he has done.

In preparation for his retirement from the board, Mark handed over the chairmanship of the Audit Committee to Tim Weller, a serving CFO with considerable financial and business skills and experience.

Mark remained on the Audit Committee until the end of 2014 to ensure a smooth handover and to assist with the tender process for the role of the company's external auditor. That process resulted in a clear recommendation from the Audit Committee, fully endorsed by the board, that shareholders approve the appointment of PwC as the company's external auditor for 2015.

Grahame Gibson will stand down from the board at the conclusion of the 2015 AGM and retire from the group in October 2015. Grahame is the longest serving member of our board, having been appointed in 2005, and he has been a senior executive of the G4S group and its predecessors since 1983. I would like to record the board's gratitude to Grahame for the enormous contribution he has made to the group. The board extends its best wishes to Grahame and his family in his retirement.

The Nomination Committee has commenced a process to recruit a new non-executive director and I expect that process to be completed during the first half of 2015. With the new non-executive director in place, I believe we will have a board which retains a good knowledge of the group and its businesses whilst also having the broad spectrum of skills, experience and background appropriate for this company and the strategy it is pursuing. It also has a suitably diverse composition in terms of nationality and gender, which is important in any business but particularly so in one which is as large and geographically and culturally diverse as G4S. In 2015 the board will continue with a programme of regular engagements with management teams from across the group, which enables the non-executive directors to broaden and deepen their knowledge of the group and its strategy, management and operations.

### Financial performance

The progress made in 2014 was reflected in the group's financial performance.

Organic growth was 3.9% overall and 9% in emerging markets. That growth, combined with the success of restructuring and efficiency programmes, saw underlying profit increase by 8%, underlying earnings increase by 12% and cash generated by operating businesses increase from £420 million to £526 million.

The board has confidence in the group's performance and prospects and the directors propose an increase of 5% in the final dividend which is payable on 12 June 2015.

With an interim dividend of 3.42p (DKK 0.3198) per share paid on 17 October 2014 and a final dividend of 5.82p (DKK 0.6041) per share, the total dividend for the year will amount to 9.24p per share (2013 8.96p per share).

The progress which has been made in 2014 was the result of a great deal of hard work by the group's management and 623,000 employees, many of whom work in challenging circumstances. They provide vital services for the group's customers around the world and I would like to express my appreciation for their continuing dedication.

**John Connolly**  
Chairman

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IMAGE REMOVED

Ashley Almanza  
Group Chief Executive Officer

## Delivering sustainable profitable growth

"In 2013 we established a new strategic plan to transform G4S and deliver sustainable, profitable growth. In 2014, the group made good progress executing this strategic plan and I am pleased to report a 12% increase in underlying earnings (to £210 million) and a 25% increase in cash flow from operating businesses (to £526 million). The group's performance and prospects are reflected in the directors recommendation to increase the final dividend by 5% to 5.82 pence per share. Much remains to be done to realise the full potential of our strategy."

### 2014 review

Our strategic plan combines cultural transformation with sustained investments in organic growth and productivity improvements, together with active portfolio management and disciplined financial and risk management. I'm pleased to report that we made good progress in all of these areas during 2014.

### Our markets

As the world's leading global integrated security company our mission is to create sustainable value for our customers and shareholders by being the supply partner of choice in all of our markets.

Independent studies indicate that global demand for security is expected to grow at a compound average rate of 7% per annum between 2013 and 2023, reaching c £210 billion in annual revenues by 2023.

The main drivers of industry growth are diverse and include the economic environment and GDP growth, infrastructure investment, levels of conflict and crime, customer attitudes to risk and focus on security, customer efficiency and outsourcing objectives, regulation and the regulatory environment, technological change and innovation, interest rates and the role and policies of central banks. Influence the cash handling industry.

Through its unique market positions, G4S has attractive exposure to the growing demand in global security markets. We also have a diverse and proven range of services and the expertise to address this organic growth potential.

### Investing in organic growth

In 2014 we took action to strengthen our sales capability, customer relationships and customer service. We invested in strategic account management and also implemented a systematic approach to measuring and monitoring customer satisfaction.

We continued to invest in service and product innovation and strengthened our sales operations and our sales capacity. These investments have begun to improve our pipeline management and in 2014 we won new contracts with a total value of £2.1 billion.

In 2014, we achieved revenue growth of 8.9% in our emerging market businesses and 6.9% in our North American businesses. As expected, revenues in our UK & Ireland and Europe regions declined by 1%, reflecting the end of the Electronic Monitoring contract in the UK and the end of the prison service contract in the Netherlands.

### Our People

It is essential for the successful and sustainable growth of our business that we attract, retain, develop and incentivise the best people in our industry.

During 2014 we made a number of key appointments to the Group Executive Committee (GEC). Peter Neden has been appointed to the role of Regional President, UK & Ireland. Peter is a proven service industry executive, covering both commercial and government sectors in the UK.

John Kenning joined us in the role of Regional CEO, North America and Technology, succeeding Grahame Gibson who retires this year. John has a successful track record in sales and security technology.

In July this year Jenni Myles will take up the role of group HR Director, succeeding Irene Cowden who retires in June. Jenni has held a number of senior HR positions at G4S including HR Director for our North American and Latin American businesses. Jenni brings a deep knowledge of our industry and company combined with a track record of leading and supporting large organisational change programmes. Grahame and Irene have each made an enormous and valuable contribution to G4S and they leave with our profound thanks and best wishes.

Mel Brooks was promoted to Group Strategy & Commercial Director after successfully managing our large Indian business. Mel brings security and technology expertise from a variety of senior leadership roles he has held both in G4S and in the defence industry.

Beyond the GEC, we continued to invest heavily in refreshing and strengthening our senior management team. Since spring 2013 we have made 114 senior appointments to our senior leadership cadre of 220 executives, comprising 64 external hires and 50 internal promotions. The new appointments cover key positions in general management, sales, business development, operations, technology, procurement, IT, finance and risk management. All of these changes have been designed to strengthen our organisation and support the group-wide transformation of G4S.

Our global leadership development programme was re-launched in 2014. We are also simplifying and reinforcing succession and development planning to ensure that our leaders of tomorrow are identified and given the appropriate opportunities to develop early in their careers. Our investment in training and development permeates the entire organisation and is nowhere more important than in customer-facing roles.

I would like to thank the more than 623,000 colleagues across the world whose skill, energy and dedication to our customers and our company is reflected in the progress made by G4S in 2014.

### Our Values

During 2014, we updated and re-launched our group values and mounted an awareness and training programme to ensure that G4S managers and employees understand how to put our group values into practice in everyday business activities. To support and reinforce this programme we have updated and re-launched our whistleblowing policy and compliance monitoring

now comes under the formal oversight of our group general counsel.

We established "Safety first" as a new group value and all senior executives completed mandatory safety leadership training which we are extending across the group in 2015. We established the new position of Group Head of Health and Safety and appointed an experienced safety professional to this role. Whilst we have been successful in raising safety awareness and strengthening our resources and systems, we remain fundamentally dissatisfied with our overall safety performance. I deeply regret to report that in 2014 41 of our colleagues lost their lives in work-related incidents (2013 49 work-related fatalities), including 14 colleagues who died in attack-related incidents protecting our customers and their property.

Work-related fatalities have a devastating impact on families and colleagues at G4S and they motivate us to put Safety First. Zero harm remains our goal and each and every member of the global leadership team is committed to this goal. In 2014 we also established a UK corporate renewal plan and made good progress in implementing the plan. Implementation of this plan remains a priority in 2015.

### Productivity

Over the past 18 months we have established a number of important programmes to improve the productivity of G4S. Given the scale and current stage of organisational maturity of G4S, these programmes address a material opportunity to improve our performance and create shareholder value. Our restructuring and organisational efficiency programmes made good progress in 2014 and we believe there are further opportunities to implement lean processes and more efficient organisation structures. Any new programmes will be subject to stringent financial, economic and operational criteria.

Our operational reliability and efficiency programmes broadly fall into two categories. Firstly, direct labour efficiency which aims to ensure we deploy the correct service at the right time, thereby helping to improve customer service and reduce costs (see page 27). Secondly, route planning and telematics, which seeks to reduce vehicle and crew requirements and to reduce fuel and maintenance costs whilst simultaneously improving driver safety (see page 27).

In 2014, we established the new position of Chief Procurement Officer and recruited an experienced procurement leader and team. We aim to achieve

## Our values at work – an integrated reporting framework

Our corporate values influence every aspect of our culture and day-to-day business activity, and we recognise that CSR strategies are best achieved when integrated into business practices. It is with that in mind that our CSR strategies and priorities are developed in conjunction with our operational businesses and help to improve the way we work and our approach to doing business. Our priority areas are business ethics and anti-bribery and

corruption, health and safety, and human rights. To better reflect the focus which our values have within our organisation and the importance we place upon ethics and sustainability, we have this year implemented an integrated CSR reporting framework which is led by our Annual Report and Accounts and supported by a CSR report and our website.

procurement efficiencies by using our global scale to consolidate supply chain management and secure better terms of business. We are also beginning to improve visibility, understanding and control of our buying behaviours to improve efficiency.

Last year we completed the first phase of our UK shared service centre to standardise key processes and reduce the cost of functional support. In 2015 we will extend the scope of shared services performed at our UK centre and we will consolidate our North American back office. We have begun to assess the feasibility of applying our shared service model in other regions.

We are undertaking a disciplined and progressive IT transformation programme. During 2014, we focused on building our IT leadership and development capability. We currently spend around £180 million on IT services and we are now progressively employing

IT service management models to improve consistency and efficiency in IT infrastructure, development and operations.

#### Active Portfolio Management

During 2014 we continued to apply the structured approach to portfolio management which we established in 2013. Since the inception of this management discipline we have completed the divestment of eight businesses at attractive exit multiples, generating aggregate proceeds of £248 million and an aggregate profit on disposal of £92 million. Businesses sold previously contributed revenue of over £700 million at an average net margin of 2.8%, well below the group average. We also discontinued a further 22 businesses. Portfolio management remains an important discipline in ensuring that we maintain strategic focus, capital discipline and effective financial performance across the group.

## Delivering value through our key programmes

Our strategic plan encompasses key programmes which address multiple sources of value



### 1. Transform our culture through our people and values (p14)

#### Building capacity in our people

- Strengthened global leadership team – 114 appointments to top 220 executive roles (50 internal, 64 external)
- Re-launched leadership programmes

#### Re-focusing our values

- Greater emphasis on Health and Safety (Safety first)
- Employee communications and training to reinforce group values
- Enhanced whistleblowing and case management

#### Managing risk

- Investment in improved risk management

#### Enhancing our performance management

- Increased rigour in our performance contracts
- Aligned incentives with values and performance



### 2. Invest in organic growth, customer service and operational excellence (p20)

#### Strengthening organic sales and business development capability – invested additional c£20m

- Appointed new sales leaders across the group
- Investment in sector and technology specialists
- Appointed 385 additional new hires into sales and business development roles in the past 21 months

#### Improving sales operations

- More proactive management of sales pipeline
- Investing in customer relationship and global account management
- Better alignment of sales incentives with customer satisfaction
- Extending proven services from one market to another



### 3. Make our organisation more productive (p24)

#### Investing in organisational efficiency

**De-layering our organisation**

- Shorter lines of communication, reduced costs and increased time focused on customers

#### Globalising key functions

- Improve consistency, efficiency and effectiveness of our support functions

#### Creating shared service centres for back office functions

- Leverage scale of organisation and standardise processes
- Implemented first phase in finance in UK in 2014
- US shared service centre in 2015

#### IT transformation

- Progressive, disciplined change programme to improve efficiency and consistency in IT infrastructure, development and operations

### Disciplined risk and financial management

During 2014 we established an enterprise risk management system based on the "three lines of defence" model. As noted above we have invested heavily in strengthening our senior leadership teams and reinforcing our group values, both of which are important components of our risk and financial management systems. We also strengthened our contract risk management processes and made significant investments in financial control resources and audit and assurance capacity.

The importance of contract risk management was highlighted again last year with the £116 million settlement of the electronic monitoring contract and a further charge to profits of £45 million relating to provisions on legacy UK contracts.

### Outlook

G4S' strategy and plan address a positive, long term demand outlook for our core services and seek to deliver sustainable profitable growth.

We are making good progress with the implementation of our strategic plan and this was reflected in the group's commercial, operational and financial performance in 2014. The group's performance and prospects are also reflected in the directors' recommendation to increase the final dividend by 5%. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015.

Ashley Almanza  
Group Chief Executive Officer



### 4. Actively manage our portfolio and performance (p30)

#### Reviewed 56 under performing or immaterial businesses in 2014

- Eight businesses sold in 2014 including US Government Solutions
  - raised gross proceeds of £177m in 2014 and gross proceeds £248m since 2013
- 20 discontinued, 22 under review and 14 to be retained with performance improvement plans
- Businesses sold had revenue of more than £700m and an average net margin of 2.8%



### 5. Embed disciplined financial and risk management (p32)

#### Soundly financed

- Investment grade credit rating and £998m of unutilised credit facilities

#### Global capex rationing – central pool of capital

- Investment hurdle rate 10% post tax IRR
- Rebalance investment towards organic growth

#### Improve sustainable free cash flow and working capital management

- Implementing a "cash matters" culture

#### Strong focus on financial stewardship

- Strengthened capability and capacity in audit, risk and financial management
- Strengthened contract review process

#### Investing in operational excellence – accelerated best practice (ABP)

##### Direct labour efficiency

- Uses subject matter experts working with local line managers to deploy the correct service at the right time, improving customer service and reducing costs
- Multi-year programme covering 39 businesses and 376,000 employees in the first phase

##### Telematics and route scheduling programmes for our fleet

- Telematics
  - reduces fuel and maintenance costs, improves driver safety
  - In 4,500 vehicles at the end of 2014
- Route scheduling
  - fewer vehicles and efficient crew requirements leading to improved customer service
  - 7,000 vehicles to be covered by end of 2015

##### New global procurement programme

- Baseline study identified addressable spend of £1.3bn (70% in eight categories)
  - material opportunities to reduce costs
- Negotiating with a number of key suppliers with the first global procurement deals signed
- Leveraging our scale



## I. Transform our culture through our people and values

# Strengthening capability

Our strategic review in 2013 identified the need to strengthen our resource and capability in a number of key areas of the business – leadership, senior line management, sales and business development. We have also strengthened our teams in IT, procurement, finance and risk management

### 2014 highlights

114

new senior appointments to the global leadership team

Safety first

new value

New

whistleblowing policy created

### 2015 priorities

- Increase health and safety focus on road safety
- Extend health and safety leadership training to a wider population
- Implement an online system to better capture and record health and safety incident data
- Enhanced whistleblowing hotline and case management system to be implemented globally
- Global engagement survey to be undertaken and fed back within the organisation
- Design and implement a new single regional leadership programme for middle managers

Our financial performance is underpinned by recruiting developing and deploying the best people against our most important opportunities by applying our group values in everything we do and by delivering outstanding customer service

## The group values are:

### Safety first

We prioritise safety management to protect the health and well-being of our colleagues and those around us

### Customer focus

We have close, open relationships with our customers which generate trust and we work in partnership for the benefit of our organisations

### Integrity

We can always be trusted to do the right thing

### Best people

We employ the best people, develop their competence, provide opportunity and inspire them to live our values

### Performance

We seek to improve performance year on year to create long-term sustainability

### Teamwork and collaboration

We collaborate for the benefit of our customers and G4S

### Expertise

We develop and demonstrate our expertise through our innovative approach to creating and delivering the right solutions

Our plans to improve customer service are outlined in more detail on pages 20 and 23. How our values are integrated into the group's strategic priorities is covered throughout the Strategic Report and in this section we discuss

- i Safety first – protecting colleagues and those around us
- ii Integrity – being trusted to do the right thing
- iii Best people – employing the best people and providing opportunity





IMAGE REMOVED

### Nuclear power – *United States*

At one of the newest and largest nuclear power facilities in the United States, the G4S Regulated Security Solutions team has worked safely for nearly 11 years since a recorded lost-time accident, and worked nearly 2 million safe man-hours by implementing a comprehensive behaviour-based safety programme



IMAGE REMOVED

### Ethical employment partnership – *global*

Since 2008, G4S has had an ethical employment partnership with UNI, the global union federation. G4S was the first UK company to enter such a partnership, which drives improvements in employment standards across the global security industry, while helping to ensure that employee and union rights are respected throughout the company.

IMAGE REMOVED

### Secure solutions – *India*

With a workforce of 130,000 people across 25 states, G4S India launched a strong health and safety initiative aimed at spreading the concept of “zero harm” for its employees and customers. Throughout the year, it introduced a series of campaigns aimed at making the workplace environment safer.

IMAGE REMOVED

### Driving Force – *global*

In 2014, 19 colleagues lost their lives in road traffic accidents. The Driving Force initiative aims to significantly reduce these incidents. Based on an initial pilot in seven countries, Driving Force is now being rolled out to every G4S company globally.

Two of the pilot countries experienced significant reductions in the number of fatal road traffic accidents in the twelve-month study period. As well as informative literature packs distributed within the business, Driving Force rules include training, vehicle checklists, and basic driver evaluation and investigation tools to help understand the root cause of incidents.

## Achievements

Our performance management approach addresses both non-financial and financial performance in an integrated way and is outlined in more detail in the key performance indicators section of the Strategic Report on pages 32 and 33

### Safety first

The nature of our work and the environments in which we operate can expose some of our employees to a high risk of harm. Mitigating and managing these risks so that our people return home safely every day is our paramount concern. Tragically, colleagues from across the group are injured and sometimes killed during the course of their work. Any death or injury is unacceptable and in 2014 we have invested in additional health and safety resources with the aim of preventing such incidents across the group and to learn from those which do occur so that we can address the root causes.

The continued effort to improve the safety of our staff is led from the top of the organisation with personal leadership from each member of the Group Executive Committee supported by human resources experts and 108 safety professionals across the group.

Processes and practices across the group are challenged frequently by our health and safety professionals and critical country reviews, carried out by experts who are independent of the business under review, highlight learning points following every serious incident.

To ensure that our managers take ownership and responsibility for improving health and safety, we recently re-designed incentive plans to ensure that avoiding harm to employees, and to those with whom we come into contact during the course of our business remains the focus for managers across the organisation. Improved health and safety performance will continue to be a key area of focus in 2015.

IMAGE REMOVED

### Best people – building capability

Since April 2013 we have strengthened our global leadership team materially, with 114 appointments to our top 220 executive roles. Of the 114 appointments 50 were internal promotions and role changes and 64 were external hires. These changes have been focused on senior line management, sales and business development. We have also strengthened our teams in IT, procurement, finance and risk management.

The senior leadership programme is being re-launched in 2015 to better reflect the strategic priorities of the group. A new cohort of senior managers with potential to move to more complex roles will be identified to participate. The programme, which started in 2005, will support and challenge participants to contribute to sustainable business performance and continue their own personal leadership development. Every element of the programme will explicitly promote the G4S values and draw on good practice from existing G4S senior leaders around the world.

IMAGE REMOVED

Please see page 58 for the board's policy on diversity.

### Employee engagement

Our employee engagement programme is based on the internally developed PRIDE model

**P**rotect their basic needs

**R**espect them as individuals

**I**nvolve them in the business

**D**evelop their skills and potential

**E**ngage them fully

More information on all of these areas can be found in our CSR reporting framework, including our CSR report and [www.g4s.com/csr](http://www.g4s.com/csr). We are currently planning our next global employee engagement survey in 2015. The survey is based on the PRIDE model and the principle that where employees feel Protected, Respected, Involved, Developed and Engaged, they are more likely to perform at their best, provide customers with exceptional service and be great advocates for the organisation. The last global study was undertaken in 2013 and received over 380,000 responses – a 62% response rate. Feedback from the 2013 survey and the forthcoming 2015 survey is shared with the relevant business leaders, so that we can address areas which employees have highlighted as in need of improvement. Examples where feedback has resulted in change include:

- enhanced health and safety leadership and training
- increased internal communications
- leadership programme launched in the Americas
- increased training resources being offered in Latin America and Europe

### Performance management

During 2014 we re-defined our performance measures and incentives for our employees and our approach continues to address both non-financial and financial performance in an integrated way. Performance indicators include measuring customer needs, and achieving sustainable profit and cash flow, and provide clear and strong alignment between management priorities and shareholder value.

### Integrity

Ethical conduct is not just a solution to the challenges of legal compliance, but a means of doing business which provides customers, employees, partners and communities with the confidence that they are working with an ethical organisation. Acting with integrity across the world is a key element of our business strategy and a positive differentiator.

### Business ethics and anti-bribery and corruption

Every year we review our business ethics policy to ensure it reflects the current business and political environment and addresses any risks which may exist. Implementation of the standards described in the policy is the responsibility of local managers. These are subject to review through our internal and external audit programmes and from investigations triggered by whistleblowers or colleagues raising concerns with their managers.

As outlined in more detail on page 31, part of the remit of the Regional Risk and Audit Committees which were established in 2014 is to ensure compliance with our robust anti-corruption policies and embed the Integrity value across the regions. Compliance statements are now signed by the businesses and regions on a quarterly basis.

In 2014, we completed a review of our global whistleblowing policy and practices against the principles of the UK Whistleblowing Commission's Code of Practice, making a number of changes as a result of that review. We have selected a new global hotline provider and will be implementing a new global whistleblowing system in 2015. We are also implementing a new case management tool which will enable us to capture information on whistleblowing cases across the group and to analyse trends and issues raised on a more systematic basis. We have re-established our ethics steering group – which was first created to ensure our compliance with the requirements of the UK Bribery Act – to ensure the appropriate focus on whistleblowing and ethical behaviour across the group and make sure that we are constantly challenging ourselves to meet the highest standards.

From time to time, concerns about the conduct of our colleagues or our business partners are brought to our attention. We take all such concerns seriously and work with internal audit and external investigators to ensure all issues raised are addressed appropriately. Information on current issues can be found on page 21 in our CSR report.

### Human rights

Our human rights framework supports the continued development of an ethical and sustainable business model that encourages the improvement of standards, job creation, community support and broader beneficial impacts on societies throughout the world.

The framework is being embedded across the group, along with newly-developed processes for assessing the group's human rights risks in many areas such as bidding for contracts, entering new markets and analysing our existing countries of operation. These practices are driven by an annual assessment of human rights risks and a series of assessments and reviews in markets where risks exist.

Where risks or concerns are identified, action is taken to make sure that we put in place processes to mitigate or reduce any risk. In some cases, this means that a business or operation can be scrutinised intensely by either G4S or independent experts. For example, in the spring of 2014, the board commissioned an independent review into the group's operations in Israel. The findings from the review were presented to the chairman of our CSR Committee and to a number of the Group Executive Committee members, and were published on the group's website in the interests of transparency.

More detail on human rights risk assessment can be found in the Risk Management section and the group's separate CSR report.

IMAGE REMOVED

### Ebola response – *Africa*

Responding to the outbreak of Ebola in the region, G4S Sierra Leone, in conjunction with our G4S Africa head office, developed an Ebola awareness programme for employees, incorporating posters, handouts and training. Symptom testing, hand washing facilities and the provision of personal protective equipment were implemented at G4S offices as part of the programme of increased preventative measures, and a comprehensive contingency plan was developed. These measures greatly assisted in the prevention of infection and subsequently have been shared with other affected countries such as Mali, Nigeria and Guinea.

IMAGE REMOVED

### Compliance and Investigations – *North America*

The United States' second largest school district, serving one million students and 90,000 employees, worked with the G4S Compliance and Investigations team to reduce workers' compensation fraud and abuse losses. The organisation-wide programme saved the customer more than \$10 million in fraudulent claims and resulted in 24 arrests and convictions.



## 2. Invest in organic growth, customer service and operational excellence

# Customer focused

Following the strategic review undertaken in 2013, we concluded that the group had been under-investing in organic growth opportunities and since then we have established a number of programmes designed to strengthen organic sales and business development.

### 2014 highlights

**£5.5bn**

annual value of sales pipeline as at end December 2014

**£1.1bn**

annual contract value of new business won

**c.90%**

contract retention rate for existing contracts

**c.£20m**

annualised additional investment in sales and business development

- Group-wide initiatives to improve organic growth and customer retention rates
- Investing in a more rigorous approach to customer relationship management
- Investment in technology development and sales
- Roll out of standardised sales operations system commenced

### 2015 priorities

- Implement our standardised customer satisfaction survey tools across the group
- Complete roll out of standard sales operations
- Continue to improve pipeline management
- Increase multi-service offerings to existing and new customers

## Achievements

### Investing in organic growth opportunities

Group-wide initiatives to take advantage of the organic growth opportunity including

- sales capability assessment and recruitment
- mandatory implementation of standard sales operations systems
- sales performance in all businesses
- customer engagement and retention
- global account management
- pricing policy and management

In the past 18 months, we have appointed new sales leaders in all of our six regions and at group level

Across the group as a whole, we have appointed 391 additional new employees into sales and business development roles, including industry sector specialists in a number of our regions. We have also been implementing a standard tool for measuring customer satisfaction. Through regular customer surveys and feedback, we will be better able to identify and quickly address service issues and deepen and strengthen customer relationships.

### Customer relationship management

We are also investing in a more rigorous approach to customer relationship and global account management.

We are placing greater emphasis on managing and retaining the existing customer base and have continued to invest in new service development and innovation for existing customers. We have also begun to export commercially proven services across countries and regions.

Our investment in organic growth implemented through these programmes provides long-term support for our sales pipeline. During 2014, we won new work with an annual contract value of over £1.1 billion and a total contract value of £2.1 billion. See the Business review on pages 34 to 41 for a description of the type of new contracts won per region. We continue to build and to replenish our pipeline which, after taking into account strong conversion in 2014, had an annual contract value of £5.5 billion at the end of December 2014.

## Annual contract value of sales pipeline at end of December 2014

During 2014 we won new work with an annual contract value of over £1.1 billion and a total contract value of £2.1 billion. We continue to build and replenish our pipeline which, after taking into account strong conversion in 2014, had an annual contract value of £5.5 billion at the end of 2014.

## Large, diversified sales pipeline

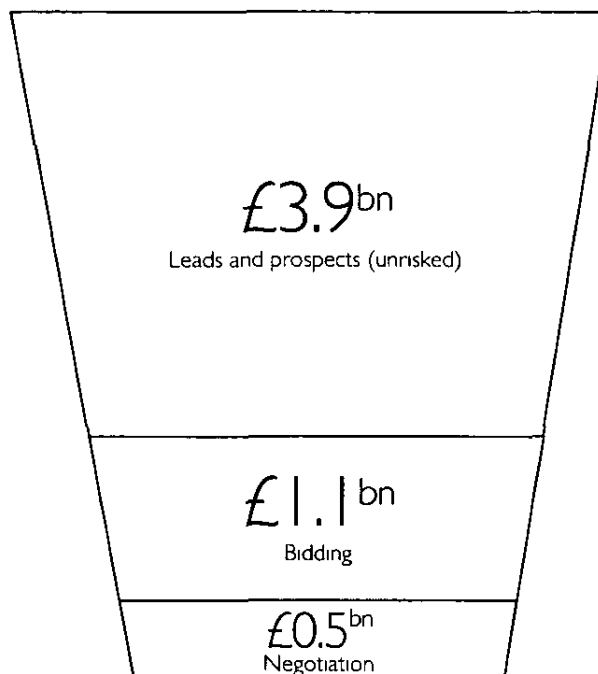


IMAGE REMOVED

## Global agriculture – Latin America

G4S provides secure solutions to one of the world's leading global agriculture companies that has operations in more than 90 countries. In Latin America, G4S services more than 30 customer locations in Brazil, Argentina, Colombia, Chile and Mexico, incorporating risk mitigation, integrated security solutions and world-class technology.

IMAGE REMOVED

### Bank of America – *global*

With operations in more than 40 countries, serving 48 million consumers at 4,800 retail banking offices and 15,800 ATMs, the needs of a global customer like Bank of America are complex and dynamic. G4S partners with them to provide total security including software, systems and over 5,000 security officers posted at more than 1,300 buildings and banking centres across the world.

IMAGE REMOVED

### Lake Turkana – *Africa*

In April 2014, G4S was named security partner for the £500 million Lake Turkana sustainable energy project in Kenya. Lake Turkana is a large-scale infrastructure project in Kenya, transforming the lives of many Kenyans and providing a sustainable low-cost source of energy. Part of a public and private sector joint initiative, G4S will work alongside other international businesses under a three-year rolling contract for up to 15 years.

The G4S solution includes securing generators and bore-holes, over-seeing the taking of water from those bore-holes and controlling access on and off the site. It also involves the staffing of an operations room with a communications system which all the major contractors will be using.



## Strategy in action *continued*

### *Customer focused*

We have also started to strengthen our sales operations so that we can manage our pipeline more pro-actively and improve the alignment of sales incentives with sales performance and customer satisfaction. Sales incentives have been redesigned for 2015 to better align them to drive growth, customer retention and customer satisfaction.

#### **Investment in technology specialists**

In 2014, the group initiated a strategic review of capabilities in technology addressing IT and back office technology, operational technology and customer-facing technology. The opportunity for using technology to drive back office efficiencies for areas such as payroll and accounts payable through shared service centres is outlined on page 24 and operational technology such as telematics is outlined on page 27. In terms of customer facing technology, the group derived 8% of revenue from security systems revenue in 2014 but this is largely concentrated in the North America and Europe regions.

IMAGE REMOVED

The global security systems market is a large, growing market (source: Freedonia World Security Services Report, November 2014).

We believe specific technologies with significant market potential include:

- advanced access control systems
- video and image analytics software. Through constant automated digital screening and filtering, video analytics can identify and notify operators of potential issues, allowing security officers to make quick, informed decisions.
- integration software for connecting and controlling multiple devices to create an end-to-end security solution.
- data analytics software for pooling and rapidly synthesising large volumes of data and
- automated cash management systems.

The group has proven in-house product development capabilities in a number of these areas:

- United States – OneFacility™ technology solution spanning security, safety and facilities management, Secure Trax™ automation of typical security communication including incident reporting via a handheld device and Risk360 security incident information capture, investigation and analysis tool.
- UK – Symmetry™ access control and building management system, electronic monitoring equipment.
- South Africa – Deposita end to end cash management solution for retail customers and
- Europe – CASH360™ end to end cash management for retail solutions (see page 26) and localised product centres (e.g. Hotelo access control technology).

Regional markets vary widely in terms of competition, products sold and customer segments, and our approach is adapted to meet each customer's unique requirements.



### 3. Make our organisation more productive

## Leverage our global scale and technology

One of our key goals is to improve operational and overhead efficiency and organisational effectiveness. We also aim to better leverage the scale of the organisation through group-wide procurement and IT programmes for the first time.

#### 2014 highlights

- Global procurement and IT functions established
- Annual addressable procurement spend identified
- Strategic review of IT resources and capability completed
- Began implementation of accelerated best practice (ABP) across the group including
  - 4,500 vehicles fitted with telematics devices by the end of 2014
  - Implemented route scheduling programme
  - Started our multi-year labour scheduling programme covering 39 countries and 376 000 employees
- Phase 1 of UK shared service centre completed

#### 2015 priorities

- Migrate G4S Canada into North America shared service centre
- Improve development and deployment of IT systems and tools across the group
- Continue implementation of direct labour efficiency programme
- Supplier negotiation and rationalisation

## Achievements

### Organisational effectiveness

As well as taking action to strengthen our organisation with new appointments, we have also been reviewing our organisational design to ensure that management structures are both effective and efficient. In a number of regions we have embarked on a de-layering programme which aims to shorten lines of communication, reduce costs and increase the amount of time devoted to customers and the marketplace. We have also created two global functions that should deliver significant synergies in the areas of IT and procurement.

During 2014 we also established a project to globalise a number of our key functions – such as HR, communications, finance and legal. We believe that global functions will improve the consistency, effectiveness and efficiency of our functional services.

### Shared service centres

An example of our approach to improve back office efficiency through shared service centres is in the UK, where we have completed the first wave of consolidating finance functions spread across nine different accounting locations and six different accounting platforms into one combined UK-based shared service centre on a single IT platform.

In North America, Canada will be consolidated into the US shared service centre during 2015 and beyond that we see opportunities to bring one smaller US business into scope that is not currently in the US shared service centre.

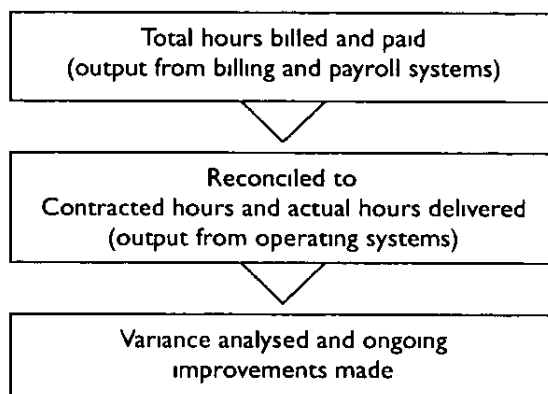
In the AME region we have made tangible progress since last year in evaluating how we can transition to regional hubs by, for example, co-locating simpler transaction processing activities before consolidating onto a single IT platform.

## Direct labour management – *global*

Labour costs are around 75% of the total cost base for the group. Our in-house employee scheduling system provides reporting, key performance indicators (KPIs) and management information around direct labour management, so that businesses can better manage their labour costs. This solution is already in the process of being implemented in 13 countries and a significant number of other countries will have access to it in 2015.

A detailed management information pack of KPIs has also been produced by the secure solutions Service Excellence Centre (SEC) to enable businesses to better measure labour efficiency by tracking unbilled overtime, non-billable hours and reconciliation of labour hours in a much clearer and more consistent way. It is proving to be very valuable. It reconciles the output from payroll systems – what has actually been paid – and compares it to the expected output from the operating systems, i.e., what the scheduling system expects to pay and bill to customers. It highlights any variance for further review and analysis, enabling us to make improvements going forward.

### Labour efficiency measurement



## Cash Solutions/SEC partnership – *Serbia, Europe*

G4S Cash Solutions, Serbia has to manage a very broad range of note denominations and so the size and volume of notes they transport and insert in ATMs is different compared with most other cash solutions businesses.

As with all cash solutions SEC reviews, the team looked for efficiencies that could be achieved by applying proven methods to improve efficiency and customer service, while reducing costs and increasing profit. These include combining routes, increasing productivity, reducing premium hours, reviewing branch boundaries, realigning customer sites and re-planning to reduce or eliminate route cross-overs, and absorbing new contracts into existing routes.

In Belgrade, a dedicated team from G4S Serbia worked with the SEC and improved productivity by removing routes and vehicles by integrating collections or deliveries into other routes and planning the routes differently.

IMAGE REMOVED

IMAGE REMOVED

### Australia care and justice services – *Asia Middle East*

G4S is one of the leading private providers of care and justice services in Australia and New Zealand, overseeing almost 1,500 offenders and transporting over 100,000 prisoners and 86,000 non-emergency patients in 2014. Leveraging our local knowledge and international expertise, a key part of the G4S Australia growth strategy is to develop our care and justice portfolio in new markets (Queensland and Western Australia) and new sectors (policing). To support this we have invested in senior executive level sector expertise in those states, in policing in Australia and transferred policing experts from the UK business.

IMAGE REMOVED

### CASH360™ – *global*

CASH360™ is the first integrated end-to-end cash management system that controls every stage, from cash payment by purchasers to depositing the proceeds into sellers' bank accounts. It has been launched in Europe and other markets. Over the last three years, CASH360™ revenues have grown over five-fold and we have plans to launch in more markets. This will enable our banking and retail customers to become more efficient and secure and help them to spend more time with their customers.

By automating the entire process, CASH360™ has been able to mitigate the risks that surround the management of money in a wide range of scenarios. The financial benefits for customers include better cash flow, simplified operations, a safer environment and reduction in losses, giving business owners and management more time to focus on trading successfully. Users have reported in-store costs of handling cash reduced by up to 70% and the elimination of "shrinkage" – loss of inventory that can be attributed to a variety of causes, from employee theft to administrative errors.

## Strategy in action *continued*

### *Leverage our global scale and technology*

#### **Group procurement**

During 2014 we established the position of chief procurement officer and conducted a baseline survey of non-payroll spend. This allowed us to determine the scale and the nature of the opportunity to reduce costs by employing a global approach to procurement. By bringing procurement under a global function we can use our scale to better negotiate deals with suppliers, reduce costs and make more structured purchasing decisions.

The baseline survey carried out in 2014 identified addressable spend of £1.3bn, of which 70% was attributable to eight broad categories of expenditure. Since then we have started the process of employing experienced category managers and opened negotiations with a number of our key suppliers. We concluded our first global procurement deals in early 2015 in IT and telecoms, and believe that this approach presents significant opportunities to reduce our costs and achieve better service and value for money.

#### **IT transformation**

In IT, we have a new group chief information officer, and have established a global leadership team.

We are adopting industry-recognised IT service management models, driving consistency and efficiency in IT infrastructure, development and operations. The first phase of transformation is focused on infrastructure.

In addition to improving supply chain management we are also using vendors' IT platforms to give us visibility and control of our spending.

We are also taking a global approach to rationalise the numerous email systems which exist across the group, improving communication and productivity. We are taking a similar approach to the rationalisation of our telecoms infrastructure and data centres.

On IT development, we have begun to offshore the software development that underpins our accelerated best practice for labour scheduling and route planning. Finally, during 2015 we will seek to bring a standard approach to our IT operations.

#### **Operational excellence**

In addition to programmes focused on organic growth, we have programmes under way designed to improve operating and organisational efficiency. These programmes are described collectively as Accelerated Best Practice (ABP). Two years ago we invested in creating Service Excellence Centres (SECs) for both secure solutions and cash solutions. SECs aim to deliver gross margin improvement and improved customer service by driving consistent operational excellence throughout the business.

ABP programmes include:

##### **Telematics and route planning**

We have around 34,000 vehicles in our fleet and spend over £300m per year on vehicle capital investment and operating costs. The telematics programme involves the installation and use of tracking devices that enable us to measure and reduce fuel and maintenance costs and improve driving safety. At the end of 2014, 4,500 of our vehicles were fitted with telematic devices.

Our route scheduling programme involves the use of equipment and software that enables our businesses to plan and operate optimal routes for collections, deliveries and site visits. When fully deployed, the programme can reduce both vehicle and crew requirements and improve customer service by helping our crews to meet delivery collection and visit windows. By the end of 2015 we plan to have 7,000 vehicles operating under an enhanced route scheduling system.

##### **Direct labour efficiency programme**

The programme aims to improve customer service and reduce costs by deploying the right security officers at the right time and at the right cost, and by minimising non-billable time. This is an enormous multi-year programme covering 39 businesses and 376,000 employees in the first phase alone.

Direct labour efficiency reconciles the output from payroll systems – what's actually been paid – and compares it to the expected output from the operating systems, i.e., what the scheduling system expects to pay and highlights any variance for further review and analysis, enabling us to make improvements going forward. See the case study on page 25 for more information.



#### 4. Actively manage our portfolio and performance

## Portfolio management

Portfolio management remains an important tool for capital discipline and performance management

#### 2014 highlights

56

businesses reviewed

8

businesses sold

£248m

gross proceeds raised since 2013

#### 2015 priorities

- Cease or sell 20 smaller businesses
- Continue to invest in the organic growth opportunities to drive sustainable profit and cash flow

## Achievements

During 2013, our strategic review identified a number of businesses which were under-performing or lacking in scale. We also looked at business risk profiles and market values. Depending on our assessment of all of these factors, we decided to either sell, discontinue or invest in the turnaround of these businesses. During 2014, we reviewed 56 businesses in greater depth and detail. Of these we have sold eight businesses including US Government Solutions, which was managed through a proxy structure over which we had limited control. Since 2013, our disposal programme has raised around £248m from businesses which generated a below group average operating margin of 2.8%. Of this £177m was raised in 2014.

Portfolio management remains an important tool for capital discipline and performance management. A further 20 smaller businesses are being sold or ceased, and another 22 are currently under review. None of these smaller businesses alone or in aggregate has a material impact on our revenue, our profit or our cash flows. Our portfolio management programme has improved our strategic focus and we have released capital at attractive overall realisations.

At the same time as divesting under-performing businesses or those lacking materiality, we have been investing in the organic growth opportunity, where we expect to see good returns on our investment and to make G4S more productive. As outlined in the previous 'Strategy in action' sections, we have been investing in our continuing businesses in the following areas: people, sales and business development, technology and business improvement programmes, including restructuring to drive operational excellence and organisation efficiency.

## Active portfolio management

During 2013, we conducted a “bottom-up” analysis of all of our businesses, evaluating their performance and prospects. The results showed that 62 countries were expected to contribute 95% of the total PBITA expected in 2016.

Since then, we have reviewed 56 businesses looking at strategic value, risk profile and materiality of contribution (growth, PBITA and cash generation) and sold eight businesses, raising gross proceeds of £248 million. Twenty further businesses are being sold or closed.

IMAGE REMOVED



## 5. Embed disciplined financial and risk management

# Improving cash flow

The group's capital allocation and contract review processes have been strengthened to ensure that all investment opportunities compete for capital in a single 'pool' and are evaluated against a stringent set of economic and risk criteria.

### 2014 highlights

**£526m**

Cash generated from operating businesses in 2014

**£553m**

Total cash generated from continuing operations in 2014

**£1bn**

revolving credit bank facility refinanced in January 2015

**c.200**

contracts across the group reviewed by the CFO on a quarterly basis

### 2015 priorities

- Improve cash generation

## Achievements

### Operating cash flow

In 2014, we made a material change to the cash measure used in budgets: monthly reviews, long-term business and incentive plans to deliver free cash flow after working capital. Our performance management cycle around cash flow has also changed. Our debtors sales outstanding (DSO), based on revenue for the last 90 days of 2014 was 48 days and there are many businesses where there are opportunities for improvement. We have moved the monitoring of cash and cash collections from monthly to weekly, and moved the collections agenda beyond finance by engaging the business in cash collections. We also need to be more disciplined about commercial terms for receivables, drive better terms from our supply chain through the new procurement processes and to reduce the time from event to billing. On average across the group we bill in 13 days, and as with DSO, there is considerable variation in the timeliness of billing across the group.

We are developing a programme across the global finance and commercial communities to systematically look at both the order to cash cycle, and the procure to pay cycle and analyse the systemic root causes that affect cash flow and then drive improvement based on this root cause analysis.

### Contracts, risk management and delivery assurance

We now have enhanced contract management processes in place across the group. There are clear reserved powers for the approval of contracts at group executive committee and board level to approve bidding for major, complex contracts and all material contracts with low profitability are subject to review at regional, group or board level, as appropriate. 29 contracts went through this process in 2014. For more detail please see the risk management section on page 42.

### Contract risk management and governance model

IMAGE REMOVED



We have also introduced a 360-degree model for ongoing contract assurance ("Contract 360"). As the name implies this brings together a review of the financial, commercial, legal, delivery and reputational risks in taking on work for a customer and means that there is a holistic view of contract risk, both before we commit and during the contract life cycle. Then, during contract execution amongst other things, we review the progress on delivery commitments made and we monitor customer satisfaction as well as commercial and financial performance. Contract 360 is well developed and embedded in our UK business and will be progressively implemented across all regions in 2015.

In terms of the broader contract portfolio, every quarter the finance organisation reviews the financial performance of all the major contracts, and the CFO performs a top-level review of the top 200 contracts across the group each quarter, equivalent to around a third of group revenue. These contract disciplines give us early sight of emerging contract issues and the Contract 360 review process enables us to develop the appropriate commercial and legal strategy and ensures that the accounting is sound.

#### Capability building

These contract management changes would not be possible without capable people and effective processes, in finance, risk management and control. In Audit and Risk, we have appointed a Head of Global Risk and Audit. In finance, we have four new regional CFOs and a new group Financial Controller. Together with their teams they have significantly improved our internal financial reporting. We have a much more rigorous monthly and quarterly close process, monthly reviews through group finance that focus on quality of earnings, as well as enhanced processes around balance sheet integrity and control.

#### Regional Risk and Audit Committees

We also introduced regional risk and audit committees across the group, and these bring together the ongoing risk management agenda in the region, compliance matters, issues arising from internal and external audit, and an ongoing review of any issues requiring judgement. They are chaired by the Regional CEO and include representatives from group as well as Regional Finance, and are also attended by our external auditor.

The Regional Risk and Audit Committees are now a core part of the governance processes within the group. Together with the other changes discussed above, they provide an enduring platform in risk management and controls and have resulted in significant strengthening of the stewardship in the group.

### Capital discipline


We believe our new approach to capital discipline is working, one single capital pool, a minimum 10% post-tax internal rate of return on all investments, a group wide investment committee that oversees both revenue and capital investments, and rebalancing capital away from acquisitions to organic capital investment. The more rigorous process around capital discipline was reflected in £138m capital expenditure (2013 £178m) down 22% from 2013. The lower spend is also a deferral of spend into 2015 as we bring some capital investment under the global IT, shared service and other programmes.

#### Restructuring

In 2013, we invested £63m to reduce costs mainly in the UK and Europe. New areas of opportunity identified in 2014 accounted for a further £29 million charge. These programmes were essential in strengthening our competitive position, principally in the UK and in Europe. In the UK cash solutions business, we have reduced our branch footprint by 20% and headcount by around 10%. In Europe, we have consolidated our regional HQ in Amsterdam, consolidated our operations in the Netherlands and Belgium, and across the group funded some modest de-layering of duplicated or overlapping management and supervision.

#### Balance sheet

The board remains committed to maintaining a strong balance sheet with the long-term net debt to EBITDA ratio of less than 2.5 times. At the end of 2014, the net debt/EBITDA was 2.8x – a little higher than our long term aim mainly because of the payment relating to the UK electronic monitoring contract settlement. The group's revolving credit bank facility was successfully refinanced in January 2015 with improved pricing, terms and conditions achieved. The new facility is a five-year £1 billion committed facility provided by a consortium of leading international banks. Our unutilised but committed facilities at the year end were £998m. We continue to be soundly financed and have good access to capital markets as demonstrated by the recent renewal of the revolving credit facility.



### Key performance indicators

**Our progress in implementing our key strategic objectives is measured using key performance indicators (KPIs) for the group**

In addition to the group's financial KPIs of revenue growth, operating cash flow, and profit, managers across the group are also incentivised to achieve personal objectives. These are agreed on an individual basis and are usually linked to business plan milestones.

## Financial KPIs

IMAGE REMOVED

IMAGE REMOVED

### Description

G4S has an organic growth strategy based on strong market positions in structural growth markets. We are investing in improved customer service and sales and business development people, and aim to build long term relationships with customers.

We believe there is still great potential to sell more complex solutions which tend to have longer contract terms and higher margins.

The group has a number of initiatives – called Accelerated Best Practice – to drive efficiency and operational improvement across the group.

### Performance

In 2014, revenues grew 3.9% to £6.8bn (2013: £6.5bn), with organic growth of 8.9% in emerging markets and 1.4% growth in developed markets.

In 2014, PBITA grew 7.9% to £424m (2013: £393m) as a result of these initiatives starting to benefit PBITA in emerging markets was up 10.3% and in developed markets PBITA increased by 12.3%.

### Link to strategy



### Key






-  Transform our culture through our people and values
-  Invest in organic growth and customer service
-  Make our organisation more productive
-  Actively manage our portfolio and performance
-  Embed disciplined financial and risk management

IMAGE REMOVED

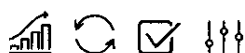
IMAGE REMOVED

A key priority for the group is to drive improved cash generation, through better working capital management and capital discipline

G4S is looking to deliver sustainable growth in earnings over the long term

Total cash flow from continuing operations in 2014 increased 11% to £553m (2013 £496m) Cash generated from operating businesses was £526m (2013 £420m), up 25% excluding one off corporate items of £27m (2013 £76m) per page 93

In 2014, underlying earnings increased 11.7% to £210m (2013 £188m) As a result of the share placing in August 2013 and the subsequent increase in average number of shares in issue, EPS increased 5.4% to 13.6p (2013 12.9p)



## Non-Financial KPIs

In 2015, examples of performance contracts of senior managers include personal objectives aligned to their respective roles, such as customer retention for business unit managers, succession strategies for human resources roles and cost savings for procurement roles We believe that strong employee relationships help to deliver excellent customer service

Values including Safety first

People and Organisation

Operational excellence

Business development

## HR standards and KPIs

In addition, our businesses are required to report monthly on key metrics relating to

Safety first

Industrial relations

Employee retention

Recruitment

The objectives and targets are focused on maintaining the G4S values, including Safety First and driving sustainable profitable growth



<sup>1</sup> To clearly present underlying performance, specific items have been excluded and disclosed separately – see page 90 For basis of preparation and an analysis of specific items see page 91

# 2014

## Business review

G4S is managed through a geographic and functional organisational structure

### Underlying regional and group financial performance

The analysis of the group's business performance reflects internal management reporting lines which are based on geographic regions. The group's underlying segmental results are presented below, excluding specific items and operations identified in portfolio rationalisation. Prior year results are presented at constant currency and have been restated for the adoption of IFRS 10 and IFRS 11, for businesses classified as discontinued operations during the year and for the transfer of business between regions to reflect the way the businesses are managed across the group.

At constant exchange rates	Revenue £m			PBITA £m			Organic growth
	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	
Africa	485	440	10.2%	46	36	27.8%	10.1%
Asia Middle East	1,260	1,192	5.7%	107	103	3.9%	5.7%
Latin America	653	570	14.6%	39	35	11.4%	14.6%
<b>Emerging Markets</b>	<b>2,398</b>	<b>2,202</b>	<b>8.9%</b>	<b>192</b>	<b>174</b>	<b>10.3%</b>	<b>8.8%</b>
Europe	1,400	1,409	(0.6%)	85	82	3.7%	(0.7%)
North America	1,365	1,277	6.9%	75	56	33.9%	6.9%
UK & Ireland	1,587	1,608	(1.3%)	132	122	8.2%	(1.4%)
<b>Developed Markets</b>	<b>4,352</b>	<b>4,294</b>	<b>1.4%</b>	<b>292</b>	<b>260</b>	<b>12.3%</b>	<b>1.3%</b>
<b>Total Group before corporate costs</b>	<b>6,750</b>	<b>6,496</b>	<b>3.9%</b>	<b>484</b>	<b>434</b>	<b>11.5%</b>	<b>3.9%</b>
Corporate costs				(60)	(41)	46.3%	
<b>Total Group</b>	<b>6,750</b>	<b>6,496</b>	<b>3.9%</b>	<b>424</b>	<b>393</b>	<b>7.9%</b>	<b>3.9%</b>

1 To clearly present underlying performance, specific items have been excluded and disclosed separately – refer to page 90 for a reconciliation to total results

2 2013 results are presented at constant exchange rates and have been restated for the adoption of IFRS 10 and IFRS 11, for businesses classified as discontinued operations and exclude the results of portfolio businesses

The statutory segmental analysis as presented in note 6 of the financial statements includes revenue from businesses that are being sold or ceased and for the prior year the impact of foreign exchange by region was as follows – Africa £nil (2013 £56m), AME £67m (2013 £180m), Latin America £10m (2013 £123m), Europe £21m (2013 £117m), North America £nil (2013 £82m), UK and Ireland £nil (2013 £7m)

Operating profit in note 6 of the financial statements includes the trading results from businesses that are being sold or ceased, interest and tax from joint ventures and for the prior year the impact of foreign exchange by region was as follows – Africa £nil (2013 £4m), AME £6m (2013 £5m), Latin America £1m (2013 £9m), Europe £1m (2013 £6m), North America £nil (2013 £3m), UK and Ireland £2m (2013 profit of £3m)

### 2014 Revenue and PBITA by region

IMAGE REMOVED

IMAGE REMOVED

## Africa

IMAGE REMOVED

IMAGE REMOVED

**Andy Baker**  
Regional President – Africa

G4S is the largest provider of integrated security solutions in the region, with operations in 24 African countries. We focus on core sectors in the region, particularly telecommunications, aviation, mining, oil and gas, embassies and ports, as well as post-conflict humanitarian work with government agencies and NGOs

### 2014 highlights

**+10%**

Organic growth

**\$8<sup>bn</sup>**

Africa security market in 2013\*

**125,000**

Employees

**+28%**

PBITA growth

Revenue £m			PBITA £m		
2014*	2013*	YoY %	2014*	2013*	YoY %
485	440	10.2%	46	36	27.8%

In Africa revenue and organic growth was 10% and PBITA increased 28% benefiting from the growth in revenue as well as overhead efficiency programmes

New contracts won across the region include work for customers such as financial institutions and utilities in **Kenya**, gold mining in **DRC**, embassies in **Tanzania** and **Sierra Leone**, a hydro-electric plant in **Mozambique** and mine clearance work in **Southern Sudan**. In **South Africa**, we won major new contracts with distribution companies and financial institutions

The sales pipeline in Africa has a diverse and growing number of new contract opportunities in areas such as financial institutions, aviation, mining, oil and gas and embassy security. The region also remains focused on embedding Accelerated Best Practices primarily in the areas of direct labour management and on organisational efficiency

### Africa case study – *Tangier Med Port*

In 2014, G4S Morocco was awarded a three-year contract for **Tangier-Med Port**, one of the largest capacity ports in the Mediterranean and Africa. G4S protects the port's assets, commodities and people through a broad range of specialised services, including operational and technical security focused on passenger and freight screening

IMAGE REMOVED

\* Source: Freedonia World Security Services report, November 2014, excluding residential security

All tables show underlying performance at constant exchange rates

## Asia Middle East

IMAGE REMOVED

IMAGE REMOVED

**Dan Ryan**  
Regional CEO – Asia Middle East

**G4S is the leading security provider in the Asia Middle East region with operations in 29 countries. Our largest countries by revenue are India, Saudi Arabia and Australia.**

### 2014 highlights

**+5.7%**

Organic growth

**\$42<sup>bn</sup>**

Total security market size in 2013

**264,000**

Employees

**+3.9%**

PBITA growth

Revenue £m			PBITA £m		
2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
1,260	1,192	5.7%	107	103	3.9%

Revenue and organic growth in Asia Middle East was 6% and PBITA increased 4% reflecting a good performance in the region. The performance on PBITA reflects only three months' contribution from the Manus Island immigration processing centre contract in 2014 compared with the full 12 months of 2013. The contract ended in March 2014.

The region benefited from new contracts in aviation, demining and risk management for international oil and gas companies in Iraq, electronic security systems contracts in the UAE, Qatar and Guam, and the extension of a contract with a major US motor manufacturer into Australia and UAE.

We invested in establishing a China outbound business development function in the fourth quarter, which will focus on developing business across the group with Chinese multinationals with overseas operations.

The sales pipeline is strong in areas such as care and justice services in Australia and New Zealand and a number of port security systems opportunities in the region.

We have made significant investment in sales and operational capability in the region. Country sales leaders have been recruited for most countries and a customer satisfaction programme was launched in the first quarter of 2015. In addition, organisational structures are being reviewed with the aim of streamlining regional and country overheads.

In terms of portfolio management, we have exited six businesses in the region during the year.

### Asia Middle East – UAE systems

Following investment in 2014, the Middle East systems business generated nearly £50 million of new business from customers in sectors such as government, real estate and transportation.

IMAGE REMOVED

## Latin America

IMAGE REMOVED

IMAGE REMOVED

**Martin Alvarez**  
Regional President, Latin America & Caribbean

**G4S is a leading integrated cash solutions and secure solutions provider for commercial and government customers across 16 countries in Latin America, with Brazil, Colombia and Argentina being its largest markets in the region by revenue.**

### 2014 highlights

**+14.6%**

Organic growth

**\$26<sup>bn</sup>**

Total security market size in 2013\*

**76,000**

Employees

**+11.4%**

PBITA growth

Revenue £m			PBITA £m		
2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
653	570	14.6%	39	35	11.4%

Revenue and organic growth in Latin America was 15% with a number of contract wins in the ports car manufacturing, transportation financial services, telecommunications and extractives sectors. The macro-economic slowdown impacted the technology businesses in Brazil and Chile.

PBITA was 11% higher with the legislated increase in pay in **Brazil**, partially recovered in the second half of the year and offset by the drop in commodity prices in **Chile** creating a difficult environment to pass on cost increases to mining customers.

Our sales pipeline for the Latin America region is growing well, with a number of large new multi-year manned security and facilities management opportunities for multinational customers in **Brazil** and manned security customers in **Peru**.

### Latin America case study – Food manufacturing

G4S provides technology, security solutions, secure facilities management and high-level risk consulting to one of the world's largest food companies and one of Brazil's largest employers across more than 35 sites.

IMAGE REMOVED

## Europe

IMAGE REMOVED

IMAGE REMOVED

**Graham Levinsohn**  
Regional CEO – Europe

**G4S Europe has activities in 23 countries in Scandinavia, Benelux, Southern Europe, Eastern Europe and Central Asia. It has strong market positions in cash solutions and around 20% of the region's revenues are security systems-related.**

## 2014 highlights

(0.6%)

G4S Revenues

\$39<sup>bn</sup>

Total security market size in 2013\*

64,000

Employees

+3.7%

PBITA growth

Revenue £m			PBITA £m		
2014 <sup>1</sup>	2014 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
1,400	1,409	(0.6%)	85	82	3.7%

In Europe revenue declined 0.6% with the insourcing of the Department of Justice contract in the Netherlands. This was largely offset by healthy revenue growth in some Eastern European countries, as well as Austria and Turkey. PBITA was 4% higher than 2013 reflecting efficiency improvements and benefits of the restructuring programme implemented in 2013 and 2014.

We made further progress with portfolio management in the region, disposing of three businesses including the sale of our business in Sweden for £39 million. The region also continues to focus on implementation of Accelerated Best Practice targeting direct labour efficiency, cost leadership in the areas of organisational efficiency and effectiveness, and on procurement and IT benefits.

Recent contract renewals include Schiphol airport contract for five years in the Netherlands and a major Belgian bank. Our European markets are showing some signs of stabilising and with our investment in sales and business development including sector specialists in aviation, ports and justice we have a diverse contract pipeline in these sectors.

## Europe case study – GSN

In January 2014, G4S won the majority of GSN cash solutions business in the Netherlands for five years, valued at €50m per annum. GSN serves the major banks in the Netherlands and is their provider of cash counting, handling and logistics including the maintenance of cash devices.

IMAGE REMOVED



## North America

IMAGE REMOVED

IMAGE REMOVED

**John Kenning**  
Regional CEO for North America & Technology

**G4S North America is predominantly an integrated secure solutions business for commercial customers, with some government contracts including juvenile detention services and border protection. It has recently launched an innovative cash management solution for retail customers, CASH360™ (see page 26)**

### 2014 highlights

**+6.9%**

Organic growth

**\$46<sup>bn</sup>**

Total security market size in 2013\*

**57,000**

Employees

**+33.9%**

PBITA growth

Revenue £m			PBITA £m		
2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
1,365	1,277	6.9%	75	56	33.9%

John Kenning succeeded Grahame Gibson as CEO for the North America region in December 2014 following Grahame's retirement from the role after 30 successful years with the group. John brings extensive security and systems experience to the group.

Revenue grew by 7% in North America reflecting a strong performance in commercial security, compliance and investigations and justice services.

We have retained contracts with major financial institutions and IT companies, and grown our business in the wholesale retail sector. We have extended our youth justice services to now cover 13 states. There were also major contract wins in the industrial, healthcare and biotech sectors.

PBITA for the region was 34% higher, reflecting higher revenue and improved direct labour efficiency resulting in a reduction in non-billable overtime and overheads.

With the introduction of the Affordable Care Act, effective in the fourth quarter of 2015, we have reviewed and modified our plans. We do not expect the Act to have a material impact on the group's business, as our plans were broadly compliant with the legislation.

The region is expanding its shared services centre to include **Canada**, which will generate overhead savings in 2015.

Good progress was made in the region on rationalising the business portfolio. The sale of the cash solutions business in **Canada** completed for £60 million in January 2014 and the sale of the US Government Solutions business for £36 million completed in November 2014.

Overall, the North American business has a strong contract pipeline with opportunities across diverse sectors including commerce, retail, industry and government.

### North America case study – *International Gem Tower*

The International Gem Tower in New York opened in 2014 and is designed specifically for the global diamond, gem and jewellery industry. Because security, safety and speed are essential to success, the developers required a comprehensive, world-class solution including security technology, consulting, personnel and international logistics.

IMAGE REMOVED

## UK &amp; Ireland

IMAGE REMOVED

IMAGE REMOVED

**Peter Neden**  
Regional President – UK & Ireland

**G4S is the leading provider of cash and secure solutions in the region with a broad range of expertise covering specialist event security, government outsourcing, including care and justice services, and cash solutions**

## 2014 highlights

(1.4%)

Organic growth

\$7<sup>bn</sup>

Total security market size in 2013\*

37,000

Employees

+8.2%

PBITA growth

Revenue £m			PBITA £m		
2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
1,587	1,608	(1.3%)	132	122	8.2%

Following his successful leadership of the region as interim regional president for the UK & Ireland region, Peter Neden was appointed the regional president in January 2015

Revenue declined 1.3% and PBITA was 8.2% higher than the prior year with improved performance in the UK cash solutions business being partially offset by the ending of the MoJ Electronic Monitoring contract

Significant restructuring programmes were implemented in the UK cash solutions Ireland cash solutions and secure solutions businesses covering branch networks (Ireland and UK cash solutions) and organisational design. These initiatives will mitigate some of the impact of the loss of a large ATM retail contract from the fourth quarter of 2014. The region also continues to focus on implementation of Accelerated Best Practice, focused on direct labour efficiency and cost leadership in the areas of organisational efficiency and effectiveness and on procurement and IT.

UK contracts won during 2014 include selection by the Department for Work & Pensions (DWP) to manage community work placement contracts for the long term unemployed, renewal of the Rainsbrook Secure Training Centre contract renewed cash solutions and manned security contracts with major financial institutions, a new contract with a major property management company; the first major smart metering programme, the North East Prisons secure healthcare contract a new seven year contract for national infrastructure and a regional secure solutions contract with a global IT company.

The UK & Ireland bidding pipeline is broad-based and has grown strongly in the areas of facilities management and outsourcing.

## UK &amp; Ireland case study – DWP

The Work Programme aims to help long term unemployed people in the UK into work and since June 2010 G4S has been delivering the Work Programme in three contract package areas, helping more than 45,000 long-term unemployed people into work and is one of the highest performing providers. In April 2014, G4S was awarded a contract to deliver Community Work Placements in six areas.

IMAGE REMOVED

## Underlying service line operating review

### Secure solutions

At constant exchange rates	Revenue £m			PBITA £m		
	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
Emerging Markets	1,951	1,782	9.5%	136	122	11.5%
Developed Markets	3,728	3,651	2.1%	227	206	10.2%
<b>Total</b>	<b>5,679</b>	<b>5,433</b>	<b>4.5%</b>	<b>363</b>	<b>328</b>	<b>10.7%</b>

The secure solutions businesses achieved 5% growth in revenue and 11% PBITA growth

Emerging markets revenue grew by 10%, and PBITA grew 12% driven by contract mix, price increases and cost efficiencies. Developed markets revenue grew 2% with PBITA growth of 10%. There was good growth in North America offset by a decline in the UK, resulting in part from exiting unprofitable contracts.

### Cash solutions

At constant exchange rates	Revenue £m			PBITA £m		
	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %	2014 <sup>1</sup>	2013 <sup>2</sup>	YoY %
Emerging Markets	447	420	6.4%	56	52	7.7%
Developed Markets	624	643	(3.0)%	65	54	20.4%
<b>Total</b>	<b>1,071</b>	<b>1,063</b>	<b>0.8%</b>	<b>121</b>	<b>106</b>	<b>14.2%</b>

Cash solutions revenue increased by 1% and PBITA grew by 14%, helped by a strong improvement in the UK cash solutions business and good performances elsewhere.

Emerging markets revenue growth was 6% and PBITA was 8% higher. Developed markets revenue declined 3% principally in the Ireland cash solutions business. PBITA in developed markets grew 20%, reflecting strong performances in the UK and Europe.

- 1 At constant exchange rates. To present clearly underlying performance, specific items have been excluded and disclosed separately – see page 90.
- 2 2013 results are presented at constant exchange rates and have been restated for the adoption of IFRS 10 and IFRS 11 for businesses classified in discontinued operations and exclude the results of businesses identified as part of the portfolio rationalisation.

IMAGE REMOVED

IMAGE REMOVED

# Embedding risk management in the business

**Our aim is to gain a deep understanding of the principal risks we face at all levels of the business and to focus management attention on effective mitigation of the most critical risks.**

## Our risks

The last year has continued to highlight the dynamic nature of the markets in which G4S operates. The geo-political situation in the Middle East has been very volatile. Global economic recovery has been highly variable. G4S also continues to face the operational and health and safety risks which are particular to the security business, along with the financial control and commercial risks common to all multinational companies.

## How we manage our risks

Our risks are captured in a global risk reporting information system. These risks are reviewed at least annually by the operating companies, with more material risks being reviewed quarterly. The group Executive Risk Committee and board Risk Committee review the most significant risks on a regular basis, and the board regularly reviews the overall impact of these major risks on the group's activities.

"2014 has seen us make significant strides in improving our risk management approach. 2015 is about embedding this in our operations across the world."

**John Connolly**  
Risk Committee Chairman

## What we did in 2014

The improvements to our risk management processes have continued during 2014. The quarterly Regional Risk and Audit Committees are now well established and similar committees have been established in the larger countries. A new Governance Risk and Control (GRC) information system has been implemented and good progress has been made in transitioning countries from the previous risk management system. The new contract management approval and broad risk-based contract review process has been embedded effectively in the UK&I region. A quarterly financial contract review process has been implemented globally.

The board has provided greater formality and detail concerning its risk appetite, linking it more explicitly to the group's principal residual risks and a structured risk universe. This detailed risk appetite statement has been shared with all the Regional Risk and Audit Committees and they have provided positive feedback on it. During 2015 the document will be shared more widely with individual countries and business units and increasingly used to inform prioritisation of risk mitigation activities.

Alastair James, who joined G4S in 2013 as Group Director of Risk and Programme Assurance, has now been appointed Group Director of Risk and Audit. We will continue to have separate internal audit and risk management teams reporting to Alastair but we will ensure that these processes are appropriately integrated.

## What we will do in 2015

We will complete the transition of all countries to using the new GRC tool for risk management.

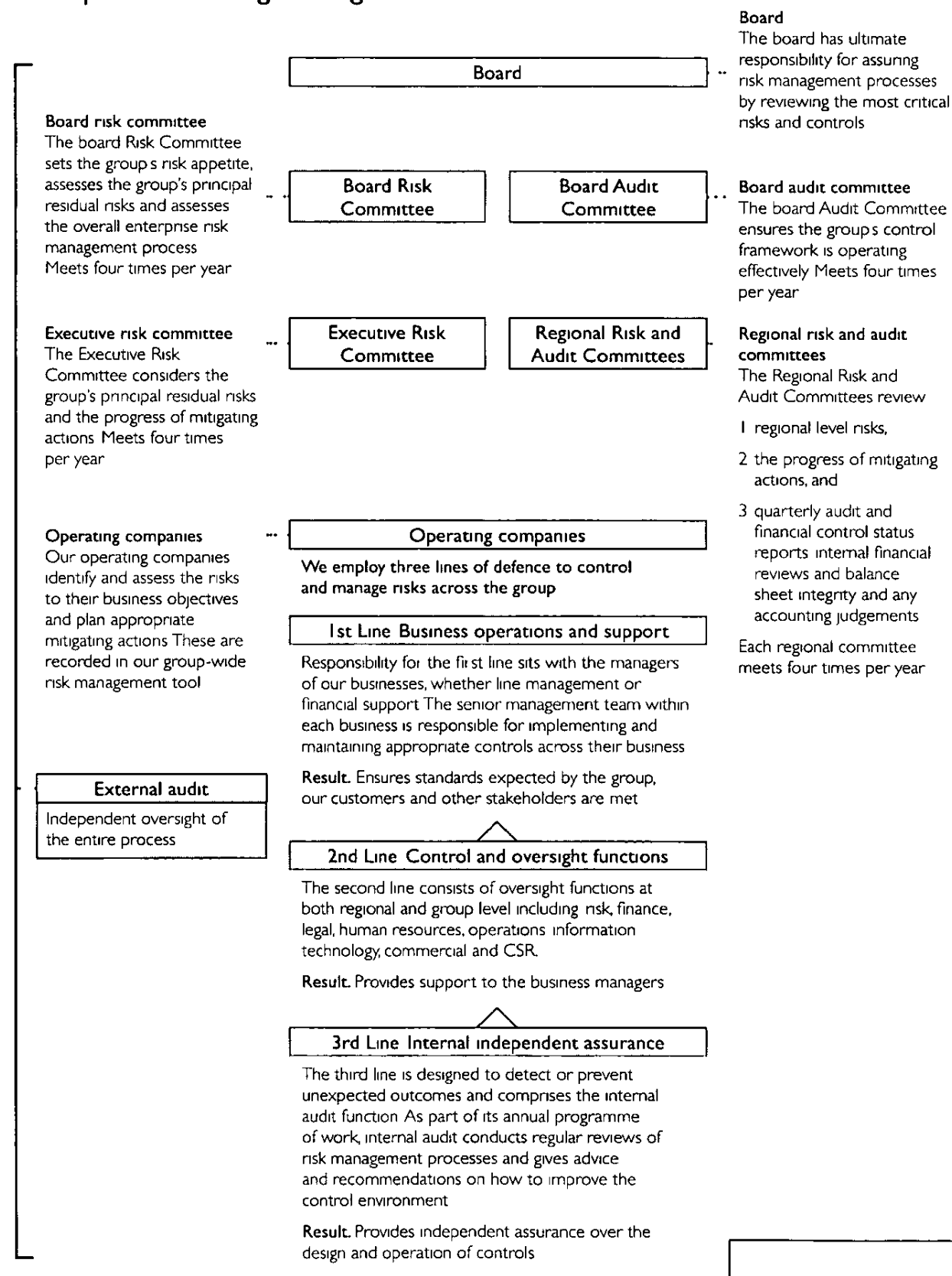
We will migrate existing group control standards self-assessments as well as Group Internal Audit to the GRC tool from the separate platforms which support them currently. This will enable a much greater consistency of reporting and a much tighter link between control effectiveness and risk assessment.

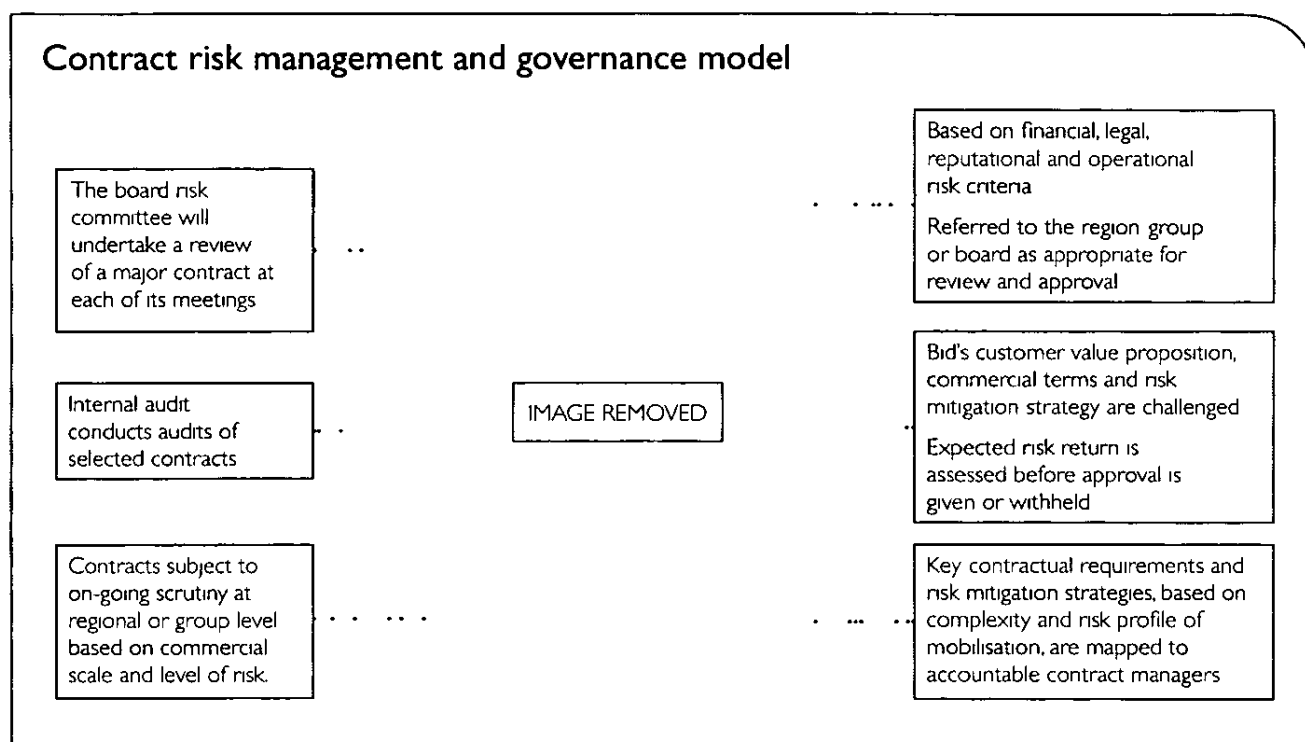
We will embed the newly formulated board risk appetite into the business and use it to drive prioritisation of risk mitigation plans.

The contract risk management processes that have been successfully implemented in the UK will be extended globally. We will work to harmonise and simplify contract sign-off processes to ensure that they are effective without being a barrier to sales success and revenue growth.

As new processes and systems stabilise there will be an increasing focus on ensuring quality of risk assessments and progress of planned mitigating actions.

## Enterprise risk management governance model





## What are the key risks faced by G4S?

During February 2015, the Regional Risk and Audit Committees met to agree the regional principal residual risks. These meetings were facilitated by group risk management and identified the risks to each region's strategic business objectives and to on-going business operations. The meetings were informed by the country level risks recorded in the group's risk management systems.

Group risk management and the CFO consolidated these risks and identified common themes and regional risks which were material to the group.

These group principal residual risks were reviewed and approved by the Executive Risk Committee and the Risk Committee of the board.

The group's principal residual risks must be considered in the context of the board's risk appetite, which can be summarised as follows:

G4S has a higher risk appetite with regard to growing and transforming its business:

- G4S operates in high risk lines of business in which our core competence and value add is managing those risks effectively. We should be willing to take on such business when we have the expertise to deliver and achieve a good commercial return on the risk we are accepting from our customers.

There are many opportunities for growth:

- Broadening our service provision with existing customers,
- Taking existing services into new countries,
- Bringing new high value add services to market that build on our core competencies and brand, and we should be ambitious in seeking out and pursuing these opportunities.

There are many opportunities to improve the productivity of the business (see pages 24 to 27) and we should set ambitious programmes of change and improvement.

However, in delivering this agenda of change and growth we need to manage the risks we are taking on effectively:

- By thoroughly assessing the risks of major contracts, applying the best resources and our best expertise, and hence putting in place mitigation strategies which will control the risks to a commercially acceptable level,
- By applying commercial and financial discipline and controls to manage our growth portfolio, and
- By applying effective programme and project management to our change agenda.

## Principal risks

### Link to Strategic Priorities



Transform our culture through our people and values



Invest in organic growth and customer service



Make our organisation more productive



Actively manage our portfolio and performance



Embed disciplined financial and risk management

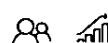
### Key

^ Increased risk

v Reduced risk

◇ No change

## Health and Safety (H&S)



### Risk description

The provision of integrated security services often in hostile or dangerous circumstances across such a broad diversity of countries presents particular health and safety challenges. The protection of our staff, people in our care and third parties, including the public, is of utmost importance. We believe that accidents are preventable and that 'zero harm' is an appropriate goal. We put safety first and prioritise the wellbeing of our employees, setting the benchmark for health and safety across the industry.

The principal health and safety risks are work-related attacks and road traffic accidents. In 2014, 41 (2013: 49) employees lost their lives. We are committed to strengthening our health and safety systems, processes and cultures.

Fatalities and serious injuries to our staff impact not only the individuals concerned, but also their families and loved ones.

### Movement since 2013 ◇

We added Safety first as a core value for

the group. We appointed a group head of health and safety to provide leadership to our existing network of health and safety professionals across the group. We have introduced an enhanced Health and Safety (H&S) management system which has further developed our capabilities and processes. This has included increasing the personal responsibility borne by country Managing Directors for incident reporting and investigation of serious injuries, and an enhanced safety leadership training course for senior management. We have rolled out a road safety programme called Driving Force Rules and strengthened governance around firearms management.

### Mitigation priorities for 2015

Compliance with our core H&S standards will continue to be monitored and periodically audited, with reviews of performance at a regional, group and board level via the CSR Committee. Management incentives are aligned to safety best practice. Detailed assessments of H&S practices in a number of high-risk countries will be undertaken, with implementation of the

resulting action plans being personally monitored by the country or business leader. This 'Step Up' initiative will be part of a broader program encompassing the roll out of safety leadership training to managers across the group, as well as implementation of a process whereby business leaders report and take ownership for follow up, close out and sharing of lessons learnt for any serious work-related incidents. We will continue to develop our road safety toolkits, and the Service Excellence Centres will continue to develop our mitigating strategies with regard to attacks on our people. Our Health and Safety management system will be augmented with the introduction of toolkits and templates to support implementation in local businesses, and we will review the training for our H&S practitioners across the group to ensure they are equipped to implement these enhanced procedures. An enhanced IT system for incident reporting will be implemented and self-assessments of H&S control compliance will be integrated into the risk management and audit IT system.

## 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 which interact with detainees, victims of crime, those on state assistance, vulnerable people and other members of the public. This requires our staff to conduct themselves with the utmost integrity. We operate in more than 110 countries around the world with a diversity of local and national cultures. These factors mean that 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. We may also compromise the safety and security of our employees and the assets or people that we are protecting.

This can lead to penalties, failure to renew contracts and ultimately reduced profitability and damage to our global brand and reputation.

### Movement since 2013

We have completed a corporate renewal programme which has been assessed by the UK government. The G4S values were re-launched globally, with the addition of the Safety First value and an emphasis on delivering long-term sustainable value for customers, employees and shareholders.

We have continued to embed our human rights framework, based on the UN Guiding Principles on Business and Human Rights, into the group's practices, such as our risk and compliance systems and processes.

Corporate governance has been enhanced through the Enterprise Risk Management process and introduction of Regional Risk and Audit Committees. Leadership training

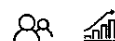
has been undertaken, and management performance incentives explicitly linked to all of the values were implemented.

### Mitigation priorities for 2015

On-line management training will be implemented covering all of the G4S values. Demonstration of the values will continue to be integral to management performance contracts in 2015. Improved whistleblowing processes are also being implemented.

A values self-assessment programme will benchmark managers' views of performance versus the group values and a global employee and management survey being undertaken this year will provide essential feedback on how the values are working in practice across the organisation.

## People



### Risk description

We are a people business and we take great care to ensure that we employ the best people to deliver quality services to our customers. We employ 623,000 people world-wide, and are the largest security solutions provider in the world. This means we have expertise in screening and training, which together with our integrity and trustworthiness is an important factor in why customers choose G4S.

In a global and diverse business such as ours, there are inherent risks associated with recruiting, motivating, developing and training employees on a large scale, as well as appropriately rewarding 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. In these territories we identify alternative measures which are approved by group HR to mitigate this risk as much as possible.

Failure to recruit, retain, motivate and develop key managers, sales

professionals and front line staff can affect customer service, customer retention and sales growth impacting our financial performance.

### Movement since 2013

G4S' human resource processes are well established and effective. During 2014 we appointed a significant number of new individuals to management positions in regions and countries around the globe. This has included recruitment from a range of high quality companies both within and outside the security sector, as well as the promotion of internal talent. We have also invested significantly in strengthening our sales resource. In a low-margin, low-salary business there will always be challenges in retaining staff, and in particular we experience this as a challenge in Africa and Europe.

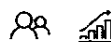
### Mitigation priorities for 2015

On 1 July 2015 Irene Cowden will retire as group HR Director. She will be succeeded by Jenni Myles, who since 2011 has been the HR Director for North America and Latin America, having been with G4S since 1998.

In 2015 our management incentives will be further reviewed to ensure they are competitive, motivational and drive the right behaviour in line with our values and business objectives. Common talent review processes will be cascaded throughout the organisation, supplemented by the introduction of new leadership development programs. This will strengthen our succession plans and support retention of key talent. To help employee retention at all levels of the organisation, the global employee and management surveys will be undertaken in the first half of the year, providing rich insight into our employees' opinions. This will assist in identifying priority areas for action, which will be implemented and tracked across the remainder of the year. The recruitment of operational employees will be augmented by sharing best practices across the group and providing detailed guidance and oversight to ensure appropriate screening standards are met.



## Brand and Reputation



### Risk description

We provide our customers across the world with 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 we provide, the customers and suppliers we work with, the people in our care and our interactions with members of the public with whom our colleagues come into contact.

Our reputation can be damaged when we fail to meet our own standards or the expectations of our key stakeholder groups. Service failures or behaviour by G4S or its partners which does not meet those standards can result in adverse publicity and damage to the group's reputation.

### Movement since 2013 ✓

In the UK, we have significantly improved our relationship with central government following some high-profile issues which

were raised in 2013, and we have since won new contracts. Globally we have implemented a process for reviewing all business opportunities with regard to our values and the reputational risks they bring. This enables us to make appropriate decisions whether or not to bid. There were material opportunities during 2014 which we decided not to bid for.

On occasion, services we provide meet significant challenges which exceed our reputational risk appetite, at which point we look for alternative options, which may result in non-renewal of existing contracts or disposal of certain businesses.

### Mitigation priorities for 2015

We are embedding human rights due diligence processes and reputational considerations into our systems for evaluating new market entries or bidding for new contracts. We are also reviewing and auditing our performance on human rights in existing markets which are

considered to be high risk. Customer satisfaction monitoring is being implemented across the group.

We are promoting G4S values and communicating our desired behaviours with colleagues across the group, engaging proactively with ethical and sustainability ratings agencies and analysts, and increasing our dialogue with customers on high profile contracts and issues. We have invested in an enhanced corporate media team to develop relationships with and educate commentators and journalists and are implementing a programme of political risk management and engagement to continue to build relationships with politicians and regulators.

We are also enhancing our whistleblowing and case management processes, to ensure that employees can raise issues of ethics to the highest level of the organisation and to enable us to identify trends and emerging reputational risks.

## Major contracts



### Risk description

The group has a number of long term, complex high-value contracts with multi-national, government or other strategic customers. The group's growth strategy includes a greater focus on higher value, and more technology-rich services. This will increase the complexity and uniqueness of customer requirements and contracts.

For such contracts there are risks to the group accepting onerous contractual terms, mobilising contracts well, transitioning effectively from mobilisation to on-going contract management, delivering to contractual requirements, and managing complex billing arrangements, contract change control and 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, and profitability.

### Movement since 2013 ✓

We have established Group and Regional Investment Committees. In the UK, we have implemented a major contract approval process with oversight from these committees, strengthened the contract on-boarding process, and rolled out a 360° contract review of all aspects of our most significant contracts. A quarterly financial review of the top 200 contracts across the group has been implemented. Regional legal counsels

and regional finance directors now report directly to the group legal counsel and group CFO providing greater independence. Group internal audit has recruited a specialist contracts auditor to audit both individual major contracts and also the effectiveness of the processes described above.

### Mitigation priorities for 2015

The new major contract approval and 360° contract review processes implemented in the UK during 2014 will start to be rolled out globally in 2015.

## Delivery of core service lines



### Risk description

We deliver our core secure solutions services in 91 markets and our core cash solutions services in 62 markets. A number of these businesses have been acquired over time, resulting in cultural differences, varying degrees of operational maturity and multiple 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, 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.

### Movement since 2013

G4S has continued to focus on developing and consolidating IT platforms, implementing the Service Excellence Centre programmes of standardisation, and driving and monitoring contract formalisation processes across our developing markets. We have recruited new chief operating officers in a number of regions and countries to drive the operational standards expected from our customers.

### Mitigation priorities for 2015

The G4S Way supports the best practice processes and standards for all aspects of service delivery with the aim of improving service excellence and margin.

Development of our technology solutions strategy and innovation in cash services will provide added value to our customers. Our risk management is being improved by integrating the Service Excellence Centre operational standards into our Governance, Risk and Control tool. This is supported by the continued implementation of our Service Excellence Centre standards through an Accelerated Best Practice programme.

A programme of customer satisfaction monitoring is being implemented across the group.

## 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 company is subject.

Risks include increasing litigation and class actions, bribery and corruption, failure to obtain operating licences, non-compliance with local tax regulations, changes to employment legislation, non-compliance 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.

Non-compliance with applicable laws and regulations could 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.

### Movement since 2013

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. An Ethics Steering Group has been formed 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 communities have been assigned compliance oversight with a direct escalation route to the group legal counsel. Also, where group internal audit has identified non-compliance, for example with licensing and labour regulations, these have been reported and acted upon.

### Mitigation priorities for 2015

The Ethics Steering Group will strengthen its effort to provide compliance with internal policies and procedures and we are introducing new systems and processes for whistleblowing and incident management. 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. G4S continues to liaise with relevant governments and authorities to positively influence the regulatory environments in which we work.

## Growth strategy



### Risk description

Our growth strategy is to leverage our expertise to expand our core service lines into more complex outsourcing areas which increase long-term customer partnerships, to focus on organic growth opportunities with less reliance on acquisitions and to leverage our expertise in security systems technology across key markets

There are risks that we will lose contracts or growth opportunities through price competition and market changes, that we fail to successfully enter target markets or territories, 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

Failing to create higher value solutions that differentiate us from local commoditised competitors could impact targeted growth in revenues and margins

### Movement since 2013 ✓

We appointed Mel Brooks as group strategy and commercial director and developed and enhanced the leadership and capacity of the regional commercial and strategy teams. We have implemented a global account management structure and established an 'outbound' programme for working with Chinese and North American multinational clients. We have been innovating and developing our core service lines through the application of technology and consulting services. The major elements of the growth strategy have been allocated to specific members of the group executive committee to ensure integrated ownership.

### Mitigation priorities for 2015

We are making significant investments in our sales and business development systems and capabilities. We are developing our customer relationship management tools as well as our approach to global account management. We are taking a more rigorous approach in the monthly regional pipeline reviews and instilling improved contract pipeline management disciplines.

## Geo-political



### Risk description

We operate in more than 110 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.

### Movement since 2013 ✓

We perceive the inherent external threat to have increased in the last year given the backdrop of an increased global terror threat, the seizure of territory by Islamic State, tensions in Ukraine, and potential increase in political instability and the risk of civil unrest in parts of Africa, Europe 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 take great care with our operations in these countries to monitor the situation closely and respond appropriately.

### Mitigation priorities for 2015

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. 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.

## Information Security



### Risk description

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

Given the high-profile nature of some of G4S operations globally, 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 the 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 clients, especially those in government and financial sectors, and disruption to service delivery and integrity, particularly in cash solutions business operations.

### Movement since 2013

The sophistication of hackers continues to increase and we see a broad range of other corporates coming under attack. Given the high profile G4S has, and the nature of our business, we believe the threat of external attack has increased over the year.

G4S constantly monitors attacks against its systems and takes steps to safeguard business information entrusted to us. A new set of Mandatory Minimum Security Controls have been developed and we have assessed each of our businesses' compliance to these standards, developing plans where improvements need to be made. Additionally we have assessed the operational level security of over 600 systems, capturing a risk assessment of each system in line with our group standards.

Additionally a group IT Auditor was appointed to provide independent assurance of our Mandatory Minimum Security Controls and Systems Risk Assessments.

### Mitigation priorities for 2015

G4S will continue to manage risks to information by integrating the information risk framework with the global risk framework, and will ensure that risks above the risk appetite are appropriately managed. The G4S global information security centre of excellence will develop best practice in coordination with regional and business unit committees, through the publication of policy and the identification of risk with appropriate mitigation strategies.

We will be implementing new monitoring and compliance systems throughout 2015 to increase our controls over the unstructured information assets held on computers, file systems and email.

## 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 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 ourselves in respect of loss of profit, increased cost of insurance and health and safety considerations for our staff and the public.

### Movement since 2013

Through the work of the Service Excellence Centres (SECs) working with

the regions, improvements have been made to processes and systems in many of our cash solutions businesses over the course of 2014. Responsibility for auditing cash reconciliation in our cash processing centres has been transferred from the cash solutions SEC to group Internal Audit.

### Mitigation priorities for 2015

Our cash solutions SEC and group Internal Audit work in collaboration with the regions to embed robust procedures into every cash business to mitigate cash losses. Innovative security defence products are in use, ranging from pavement box tracking to vehicle protection foam and protective pavement boxes.

All cash transactions are subject to strict authorisation limits and we have controlled cash reconciliation procedures that are undergoing implementation across the group to ensure cash is fully accounted for and controlled. Those procedures are subject to audits and a

new system will be implemented in 2015 for businesses to conduct self-assessments twice a year. The outcome will be controlled centrally at group level. In 2015, we will be working to harmonise the standards of cash reconciliation audits with those of group Internal Audit. We also have a robust process to monitor all cash-related loss incidents through a team of physical security specialists and we ensure that lessons learned are shared through the SEC.

Following a reorganisation at the end of 2014, during 2015 G4S will be integrating its UK & Ireland and European cash solutions businesses under the leadership of Graham Levinsohn. As well as strengthening our go-to market offering this will also enable enhanced development of best practice, which will be transmitted via the cash SEC to our cash solutions businesses in the rest of the world.

IMAGE REMOVED

John Connolly  
Chairman

# Committed to good governance

"Ensuring that good governance is achieved throughout G4S is vital for the delivery of long term sustainable value for shareholders and for all the group's stakeholders. It is important therefore that the right tone is set by the board and the way it operates. It is equally important that strong governance frameworks are applied throughout the group."

This report explains how the G4S group is governed by setting out the details of the work of the board over the last year and the processes adopted by the board. It also describes some of the mechanisms by which the board satisfies itself that adequate controls are maintained throughout the group.

In a group as large and diverse as ours, it is important to ensure that strong controls are in place and that there are adequate processes to ensure those controls are implemented. At the same time, we are aware of the need to allow our business to develop and, most importantly, to concentrate on meeting the needs of our customers. The board is conscious of the importance of maintaining the right balance.

After a period of considerable change in the recent past, 2014 was a year of stability and consolidation for the board in terms of membership and indeed the frequency with which the board met. As the new members of the board have learned more about the business and relationships between board members have developed and strengthened, the board has become more effective at providing an environment for constructive challenge and debate. It is my expectation that the work of the board will concentrate more on business as usual after the challenges of the past couple of years, but we will not lose sight of the need for the board – and for the entire group – to maintain the highest governance standards.

John Connolly  
Chairman

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## Board highlights 2014

- Concluded an investigation by external lawyers on the board's behalf into events surrounding the group's electronic monitoring contract with the UK Ministry of Justice (MoJ) and agreed a financial settlement with the MoJ
- Conducted visits to three business sites in the UK
- Received in-depth presentations on the UK & Ireland and Europe regions, the group's technology and IT strategy, service excellence centres and risk management processes
- Conducted a review of the group's strategy
- Agreed to recommend a change of external auditor
- Approved a new £1bn revolving credit finance facility
- Focused on the health and safety of employees
- Commissioned a review of its own performance

IMAGE REMOVED

## Board of directors

**John Connolly**  
Non-executive  
director/Chairman  
of the board



**N Ri**

June 2012

**Key strengths and experience** Developing the board and its governance of the group. Extensive experience of working in a global business environment and in sectors of strategic importance to the group. A chartered accountant, John spent his career until May 2011 with global professional services firm Deloitte as Global Chairman between 2007 and 2011, and prior to that Global Managing Director between 2003 and 2007. He was Senior Partner and CEO of the UK partnership from 1999 until his retirement from the firm.

**Current external commitments** Chairman of Amec Foster Wheeler plc and of a number of private companies. Beyond commercial business roles he is on the Board of Governors of London Business School, chairman of the Board of Trustees of Great Ormond Street Hospital Charity and a member of the CBI President's Advisory Council.

**Ashley Almanza**  
Executive director/  
Chief executive



**Ri**

May 2013

**Key strengths and experience** Extensive board and executive management experience and strong track record working across international borders in complex businesses. Held a number of senior executive roles at BG Group from 1993 to 2012, including Chief Financial Officer from 2002 to 2011 and Executive Vice President from 2009 to 2012. As Executive Vice President he was accountable during 2009 and 2010 for the strategic and operational management of BG Group's UK, European and Central Asian businesses. He also led a consortium of global companies through complex government negotiations in Central Asia.

He holds an MBA from London Business School and was previously Chairman of the 100 Group of Finance Directors.

**Current external commitments** Non-executive director of Schroders plc and Noble Corporation, but will step down from the board of Noble Corporation in the near future. Board member of the Ligue Internationale des Sociétés de Surveillance.

**Adam Crozier**  
Non-executive  
director



**A N**

January 2013

**Key strengths and experience** Wide-ranging experience of business transformation in a number of public and private sector organisations in the media, logistics and retail sectors and a serving FTSE 100 CEO.

Started his career with Mars before joining the Daily Telegraph followed by Saatchi and Saatchi where he became joint chief executive. He then became chief executive of the Football Association and was subsequently appointed chief executive of the Royal Mail Group where he oversaw an extensive programme of modernisation and change to enable the business to compete in the UK and international marketplaces. Since April 2010 he has been chief executive of ITV plc.

**Current external commitments** Chief executive of ITV plc.

**Mark Elliott**  
Non-executive  
director/Senior  
independent director



**Re N**

September 2006

**Key strengths and experience** Extensive international board and executive experience having held a number of senior management positions at IBM, including leadership of IBM's operations in Europe, the Middle East and Africa with responsibility for operations in more than 110 countries. General Manager IBM Global Solutions, Managing Director of IBM Europe, Middle East and Africa, member of the board of IBAX, a hospital software company jointly owned by IBM and Baxter Healthcare, formerly chairman of Reed Elsevier's remuneration committee and chairman of the Dean's Advisory Council of the Kelly School of Business, Indiana University.

**Current external commitments** Non-executive chairman of QinetiQ Group plc and chairman of Kodak Alaris Holdings Limited.

**Grahame Gibson**  
Executive director



April 2005

**Key strengths and experience** Extensive knowledge of the group and its predecessor companies in many different markets and in a number of executive functions. Joined Group 4 in 1983, starting as finance director (UK) followed by a number of senior roles, including deputy managing director (UK), vice president (corporate strategy), vice president (finance and administration), vice president operations (central and south eastern Europe and UK) and chief operating officer of Group 4 Falck A/S. He was the group's regional CEO for the Americas until November 2014 and was chief operating officer between 2005 and 2012. Will retire from the board at the conclusion of the 2015 AGM.

**Current external commitments** Board member of the Ligue Internationale des Sociétés de Surveillance.

**Winnie Kin Wah Fok**  
Non-executive  
director



**C Re**

October 2010

**Key strengths and experience** International board and senior management experience with extensive knowledge of Asian markets and strong involvement in Scandinavia.

Takes a particular interest in the group's businesses in Asia.

An auditor by training, was involved in management positions in finance, audit and corporate advisory work and a wide range of roles in asset management firms investing with a focus in Asia. Senior partner of EQT and CEO of EQT Partners Asia Limited, managing director of CEF New Asia Partners Limited.

**Current external commitments** Senior adviser to Wallenberg Foundations AB, non-executive director of Volvo Car Corporation, non-executive director of SEB AB, Kemira Oyj and HOPU Investments Co Ltd.

IMAGE  
REMOVED

**Himanshu Raja**  
Executive director/  
Chief financial  
officer

Ri

October 2013

**Key strengths and experience** Strong track record as a financial executive in global services businesses

As well as having responsibility for all core finance functions including tax, audit, treasury and investor relations, Himanshu oversees the IT, procurement and Service Excellence Centres for G4S globally

Prior to joining G4S, Himanshu was CFO at Misys, and from 2010 to 2012 he was CFO of Logica plc. Himanshu worked for more than 10 years at BT Group in a number of divisional finance director roles including Chief Financial Officer of BT Global Services, BT Design, BT Operate and BT Wholesale. His early career included finance and systems roles at Worldcom International, UUNET and MFS.

Himanshu is a qualified chartered accountant and holds an honours degree in law.

**Current external commitments.** None

IMAGE  
REMOVED

**Mark Seligman**  
Non-executive  
director/Deputy  
chairman

Re

January 2006

**Key strengths and experience** Extensive financial and management experience having worked in the financial services sector with a focus on investment banking. Takes particular interest in the financial performance of the company, including its financing and transactional activity. Qualified as a chartered accountant with Price Waterhouse. Senior roles at SG Warburg & Co Ltd and Barclays de Zoete Wedd. Head of UK Investment Banking at CSFB. Chairman of UK Investment Banking at Credit Suisse, member of the Credit Suisse Global Investment Banking Executive Board and senior adviser to Credit Suisse Europe. Will retire from the board at the conclusion of the 2015 AGM.

**Current external commitments.** Alternate member of the Panel on Takeovers and Mergers, member of the Regional Growth Fund Advisory Panel, non-executive director and audit committee chairman for BG Group plc, and senior independent director of Kingfisher plc.

IMAGE  
REMOVED

**Paul Spence**  
Non-executive  
director

A C Ri

January 2013

**Key strengths and experience** In-depth knowledge of outsourcing in both the public and private sectors and extensive international experience in key developing countries such as India, China and Brazil. A graduate of the Wharton School at the University of Pennsylvania with a degree in economics and decision sciences served a 30-year career with Capgemini and its predecessors. Having started in the US and become managing partner of mid-Atlantic information and technology for Ernst & Young, he went on to gain significant international experience for 16 years as managing partner of Ernst & Young Consulting Australia, CEO of Capgemini Ernst & Young in Asia and CEO Capgemini Ernst & Young UK. He then spent eight years serving on Capgemini's executive management committee during which time his roles included deputy group CEO and CEO of Capgemini Global Outsourcing Services.

**Current external commitments.** None

IMAGE  
REMOVED

**Clare Spottiswoode**  
Non-executive  
director

C Re

June 2010

**Key strengths and experience** Considerable experience in the public sector, the energy markets and the financial services sector as well as setting up and managing her own businesses. A mathematician and economist by training, worked for the UK Treasury, director general of Ofgas, the UK gas regulator, policyholder advocate for Norwich Union's with-profits policyholders at Aviva and a member of the Independent Commission on Banking and the Future of Banking Commission.

**Current external commitments.** Chairman of Gas Strategies Group and Flow Group, non-executive director of Ilika plc, Enquest plc, Partnership Assurance Group plc, Seven Energy International Limited and BW Offshore Limited, and independent director of the Payments Council.

IMAGE  
REMOVED

**Tim Weller**  
Non-executive  
director

A Ri

April 2013

**Key strengths and experience** Significant experience of the energy and utilities sectors and serving FTSE 250 CFO. An accountant by training, joined KPMG in 1985, rising to partnership in 1997 before joining Granada plc as director of financial control. Between 2002 and 2010, he gained significant further experience in the energy and utilities sectors holding CFO positions with Innogy (one of the UK's leading integrated energy companies at the time), RWE Thames Water (the world's third largest water and wastewater service company) and United Utilities Group PLC (a UK-based water and wastewater service company). He was Chief Financial Officer of Cable & Wireless Worldwide plc between 2010 and 2011.

**Current external commitments.** CFO of Petrofac Limited, the international oil and gas service provider and a non-executive director of the Carbon Trust.

## Key to committee membership

- N** Nomination
- Re** Remuneration
- A** Audit
- C** CSR
- Ri** Risk

## Executive committee

**Ashley Almanza**  
Executive director/  
Chief executive

IMAGE  
REMOVED

See page 52 for  
full biography

### Our executive team

G4S is managed through a functional and regional structure

Our structure enables us to deliver our strategic objectives, maintain a strong governance framework, develop integrated solutions, target key regional markets and build customer relationships

**Mel Brooks**  
Group strategy  
& commercial  
director

IMAGE  
REMOVED

Mel became group strategy and commercial director in July 2014, responsible for ensuring that the group has robust strategy and planning processes, a technology strategy and high quality sales operations and bidding resources across the organisation

Mel's previous role within G4S was regional strategy director for the Asia Middle East region and CEO for G4S India where he lead the transformation of the businesses, focusing on key customer segments and improving customer service

Prior to joining G4S Mel held a number of senior line and functional roles in the defence and technology industry where he was responsible for service line and commercial strategies, technology development and leadership of a number of business unit turnaround programmes

**Martin Alvarez**  
Regional president,  
Latin America &  
Caribbean

IMAGE  
REMOVED

Martin joined G4S as Regional President, Latin America and Caribbean for G4S Américas in 2013

Martin has extensive experience working in the region and a wealth of experience in strategic commercial and operational roles. Martin joined G4S from Dell, where he served eight years as executive director of multi-country Latin America (MCLA), responsible for 38 countries, more than US \$1 billion in revenue and the Americas Shared Service Centre with over 3,000 employees. Prior to Dell, Martin spent 10 years with DHL holding various management and leadership roles including vice president, DHL Mexico and General Manager for several other countries in the region.

Martin has an MBA from IESE in Barcelona and a Bachelor's degree in International Trade and Finance from Louisiana State University.

**Irene Cowden**  
Group HR director

IMAGE  
REMOVED

Irene has spent her career in HR management, specialising in employee relations, organisational development, talent management, employee engagement, compensation and health and safety matters.

She has been involved in major change projects including the cultural and integration aspects of mergers and acquisitions, as well as large scale organisational change involving workforce restructuring and working in partnership with major trade unions.

Irene has worked in the security industry for 37 years and has held director level positions at business unit, divisional and corporate level. She was appointed to the board of Securcor plc in 2002 as group HR director. She will retire from the group executive in June 2015.

Irene is a Fellow of the Chartered Institute of Personnel and Development (FCIPD).

**Andy Baker**  
Regional president  
– Africa

IMAGE  
REMOVED

Andy joined G4S as Regional President for G4S Africa in 2012.

Andy has wide ranging experience of managing and building sustainable businesses across Africa, with a strong emphasis on technology and logistics.

Andy joined G4S from Nashua Group, the second largest ICT business in South Africa, where he was Group Chief Executive Officer.

Prior to this, Andy spent four years as group chief operating officer of Altech, a JSE listed technology group with revenues of US \$1.2bn and operations in 15 countries. Andy also spent 13 years at DHL as regional MD of Southern Africa and Turkey.

Andy holds an MBA from Cranfield University.

**John Kenning**  
Regional CEO  
for North America  
& technology

IMAGE  
REMOVED

John joined G4S in November 2014 to lead the diverse range of services the North America businesses provide such as consulting, investigations, security, technology and youth services solutions across multiple private and public sectors.

John has a proven track record leading global organisations. Prior to joining G4S, John was executive vice president and president, commercial business for OfficeMax where he led the global business-to-business (B2B) division. John was formerly president, North America commercial for ADT/Tyco Security Services, where he led the transformation of the business to a technology services leader and also led the separation of the residential and commercial security businesses in North America.

John is a board member for Miami University Advisory Athletic Board and past board member of the Make-a-Wish Foundation. John holds a bachelor's degree in business from Miami University.



IMAGE  
REMOVED

**Graham  
Levinsohn**  
Regional CEO  
– Europe

Graham became Regional CEO – Europe in November 2013. Graham has more than 20 years' experience in the security industry, having joined Securicor Cash Services in 1994 as general manager – marketing.

Since then, Graham has held a number of commercial and line management positions in both the cash and security lines of the business. Graham was responsible for the creation of the UK cash centres outsourcing business in 2001 as managing director, before moving on to become divisional managing director for G4S Cash Services UK, and then regional president – Nordics. He became group strategy and development director in 2008 and joined the executive committee in 2010.

Graham is a fellow of the Chartered Institute of Marketing and a director of COESS, ESTA and member of the Ligue Internationale des Sociétés de Surveillance.

IMAGE  
REMOVED

**Søren Lundsberg-  
Nielsen**  
Group general  
counsel

Søren began his career as a lawyer in Denmark and since 1984 he has had a wide range of legal experience as general counsel for international groups in Denmark, Belgium and the US before joining Group 4 Falck in 2001 as Group General Counsel.

Søren has been involved in a wide range of successful mergers and acquisitions during his career, including the acquisition of Wackenhut and the Group 4 Falck merger with Securicor.

Søren has overall responsibility for all internal and external legal services for G4S as well as the group's insurance programme.

Søren is a member of the Danish Bar and Law Society, a member of the advisory board of the Danish UK Chamber of Commerce and author of the book *Executive Management Contracts*, published in Denmark.

IMAGE  
REMOVED

**Peter Neden**  
Regional president  
– UK & Ireland

Peter became Regional President of UK & Ireland in January 2015 following his appointment on an interim basis in May 2014. Peter was previously Regional managing director of G4S Outsourcing Services for the UK & Ireland region.

Previous roles included responsibility for the business development programme within G4S in the UK and Africa regions as well as a number of senior positions in both the commercial and government businesses across the group.

Prior to the merger between Group 4 Falck and Securicor, Peter was Securicor's development director, having joined the company in 2001. Peter's early career included a number of sales, marketing and general management roles within Centrica.

Peter has a degree in economics from the University of Nottingham.

IMAGE  
REMOVED

**Himanshu Raja**  
Group chief  
financial officer

See page 53 for  
full biography

IMAGE  
REMOVED

**Dan Ryan**  
Regional CEO  
– Asia Middle East

Dan joined G4S in August 2010, from global logistics and transportation company Neptune Orient Lines (NOL), where he was a member of the group executive team and held a number of senior management positions including regional president roles for Greater China, Middle East and Europe during his 20-year career there. In his last position with the group, Dan led the project to review, redesign and transform NOL's organisation across all its Americas divisions.

Dan is a charter member of the Middle East Logistics/Supply Chain Management Forum, Hong Kong Liner Shipping Association and the American Chamber of Commerce – Shanghai. He holds an MBA from the University of Notre Dame in Indiana and a BS Finance, from California State University, Sacramento.

IMAGE  
REMOVED

**Debbie Walker**  
Group  
communications  
director

Debbie is group communications director, heading the corporate communications team which focuses on the group's key audiences – media, government, employees and customers. Debbie is also responsible for the group's CSR and human rights strategies.

Prior to the merger between Group 4 Falck and Securicor, Debbie held a number of senior marketing and communications roles within the Securicor group from 1993 to 2004.

Debbie is also vice chairman of the CBI South East Regional Council (the representative body for all CBI member companies based in the South East of England and the Thames Valley), having previously served as chairman for two years.

## Our governance framework

The board leads the group's governance framework, setting broad strategic targets, monitoring progress approving proposed actions and ensuring appropriate controls are in place and operating effectively

Management decisions, development of strategies and policies and implementation of board decisions fall to the group executive committee

Regional management teams have responsibility for businesses within their regions and are tasked with implementing policies and controls at business unit level, as well as ensuring they meet agreed financial and non-financial goals

The presence of a majority of independent non-executive directors on the board ensures objectivity, challenge and debate. It is the primary responsibility of the board to provide effective leadership for the group and this is done by, amongst other things, ensuring that decision making is conducted throughout the group within a strong internal control framework – and by setting values and standards

There is a detailed schedule of matters which are reserved to the decision of the board

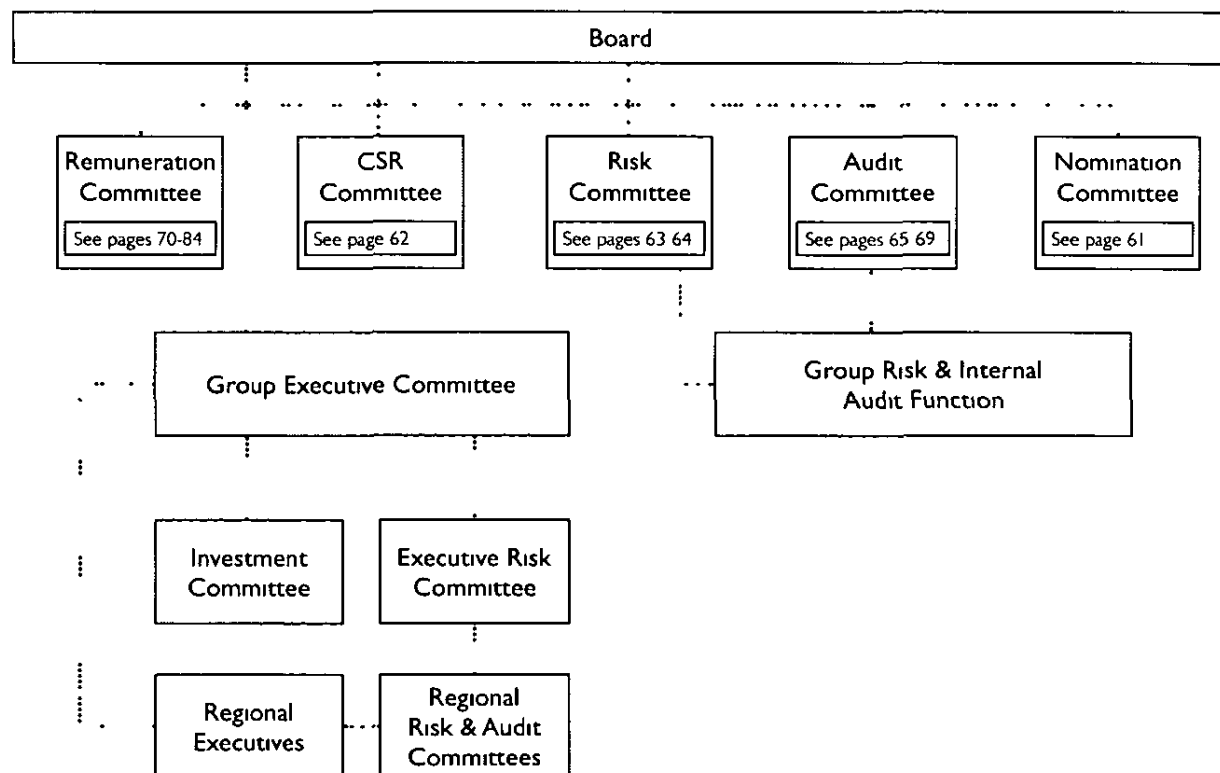
These matters fall under 12 categories

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Risk and internal controls
- Contracts
- Communication
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance matters
- Policies
- Other matters – such as settling material litigation making major changes to the group's pension scheme rules and the appointment of group advisors

By way of example, board approval is required for unbudgeted capital projects of more than £10m, entering into a sales contract where annual revenue is anticipated to be more than £50m, any changes to the group's capital structure, and the annual operating and capital expenditure budgets

The board fulfils a number of its most important functions through its committees. The work of these committees is described below in this report. The terms of reference of each of the committees are available on the company's website at [www.g4s.com](http://www.g4s.com)

## Governance structure



## Board balance

### Board composition

As at the date of this report, the board comprises 11 members the non-executive chairman (John Connolly), seven other non-executive directors and three executive directors. The board considers all the non-executive directors to be independent.

The names of the directors serving as at 31 December 2014 and their biographical details are set out on pages 52 and 53. All the directors served throughout the year. Grahame Gibson, one of the executive directors, and Mark Seligman, the non-executive deputy chairman, will retire from the board at the conclusion of the company's 2015 Annual General Meeting.

The Nomination Committee is engaged in a process to recruit a new non-executive director.

### Induction, information and professional development

A tailored induction is provided to new directors joining the board. In the case of non-executive directors, this includes spending time with the executive directors and other senior executives to understand the business, its structure and people, as well as the company's strategy and financial performance. Induction also provides details of the group's governance policies and structure and risk management framework.

To build on the induction programme, directors receive further briefings both to help in their own development and also to enhance their awareness of the different elements of the business. Briefings are provided to all board members on legal, governance compliance and reporting developments and to those members of board committees on matters which are relevant to their work on the committees in question.

In addition, non-executive directors are encouraged to learn about the group's business and to meet employees and management through site visits, attendance at group and regional conferences. In 2014, non-executive directors visited a cash centre, an adult prison and a youth training centre operated by the group and attended part of the group management conference.

IMAGE REMOVED

### Board performance review

In 2014, Lintstock Limited conducted a performance review for the board. The review involved detailed self-assessment questionnaires being completed by board members and regular board committee attendees, as well as individual interviews with each director and the company secretary. The resulting report was considered by the board when it reviewed its own performance and informed its planning for the board's priorities in 2015. Lintstock also reviewed the performance of each of the board committees, which in turn considered the resulting reports when reviewing their performance.

As part of its review process, Lintstock also reported on the performance of each of the directors and separately on that of the chairman. The individual director reviews were used as the basis for the chairman's individual discussion with each of the directors about their performance and any training and development needs. The report on the chairman was used to inform the discussion about the chairman which was conducted by the senior independent director without the chairman being present.

Lintstock has no connection with the company other than evaluating the board and its committees' performance.

#### Board balance

##### Non-Executive directors

8



John Connolly, Adam Crozier, Mark Elliott, Winnie Fok, Mark Seligman, Paul Spence, Clare Spottiswoode, Tim Weller

##### Executive directors

3



Ashley Almanza, Grahame Gibson, Himanshu Raja

#### 2015 primary board objectives

Following consideration of Lintstock's report on the board's performance, and after consideration of priorities chosen by the board and the strategy adopted by the company, the board has agreed a set of primary objectives for its work in 2015, which will include:

- Reviewing progress on strategy execution and a range of business improvement programmes approved by the board
- Monitoring the performance of the wider leadership team
- Addressing the new requirements of the UK Corporate Governance Code
- Increasing focus on people in terms of succession planning for the senior executives, employee satisfaction and management development
- Maintaining emphasis on risk management
- Gaining greater understanding of markets and competitors

#### Director re-election

The company's articles of association require that all continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment and that they submit themselves for re-election at least every three years and that at least one-third of the directors not standing for election for the first time stand for re-election at each annual general meeting. However in accordance with the UK Corporate Governance Code provision on re-election of directors, all the continuing directors stand for re-election every year.

#### Conflicts authorisation

Each of the directors has disclosed to the board any situations which apply to them as a result of which they have or may have an interest which conflicts or may conflict with the interests of the company. In accordance with the company's articles of association, the board has authorised such matters. The affected directors did not vote when their own interests were considered. Where the board deemed it appropriate, such authorisation was given subject to certain conditions. The board reviews such matters on a regular basis.

#### Diversity

With operations in over 110 countries, the group operates in very diverse communities and its workforce reflects that diversity in terms of its mix of gender, age, race, religion, nationality, language, background and experience. The board recognises that the group benefits greatly from this diversity and needs to continue to promote it in order to help create an organisation which attracts, supports and promotes the broadest range of talent. This allows individuals to reach their full potential and the group to provide the best service to its customers. Diversity is a consideration that forms part of any new recruitment for, and appointment to, the board. Although appointments will always be made on merit, the Nomination Committee and the board recognise that the board performs better when its members are from varying backgrounds and possess different experiences and perspectives. Diversity will therefore continue to be a key consideration when contemplating the composition and refreshing of the board and senior management, although the board has no specific targets in relation to diversity including gender.

#### Relations with shareholders

The company actively seeks to engage with shareholders and during 2014, senior management had contact via one-on-one meetings, group meetings and telephone conference calls with shareholders representing over 80% of the share register across over 150 institutions.

In November, the chief executive and chief financial officer provided a capital markets update via a webcast, which is available on the company's website. Additional meetings are held after the preliminary and half-year results are announced.

The chairman met with major shareholders as part of a general governance road show. The chair of the CSR Committee, Clare Spottiswoode, and relevant senior executives met with a group of socially responsible investors in June 2014, updating them on the group's corporate responsibility programme. Tim Weller in his capacity as chair of the Audit Committee, consulted major shareholders regarding the external audit tender. As chair of the Remuneration Committee, Mark Elliott engaged with a number of shareholders and their representatives on remuneration issues.

It is intended that all the directors will attend and be available to answer questions at the company's Annual General Meeting which is an important opportunity for communication between the board and shareholders, particularly private shareholders. At the Annual General Meeting, the meeting is informed of the number of proxy votes cast and the same information is published subsequently on the company's website.

IMAGE REMOVED

## Board meetings and information flow

Seven board meetings were held during the year ended 31 December 2014. One of these meetings was an extended two-day board and strategy session at which, in addition to normal board business, the board and executive committee met and reviewed the group strategy by region and by business line, as well as considering succession planning, risk appetite, the technology used by the group and the financial basis of the strategy.

Prior to each board meeting, comprehensive papers are circulated to the directors addressing not only the regular agenda items on which the executives will report, but also details of any matters requiring approval or decisions, such as significant transactions or events or important market issues.

At each meeting the board receives reports from the chairman, the chief executive, the chief financial officer and the company secretary an HR and health and safety report and an investor relations report, which includes summaries of analysts' reviews and any comments received from major shareholders since the previous board meeting. The board receives regular in-depth presentations from regional management and from the management of business units and the board makes visits to business sites from time to time. After meetings of the board committees, the respective chairmen report to the board on the matters considered by each committee.

Regular board dinners are held prior to board meetings which provide an opportunity for the directors to discuss topics in an informal environment outside the more formal setting of the board meeting.

After each board meeting the chairman holds meetings with the non-executive directors without the executives being present.

There are seven board meetings scheduled for the current year, including a two-day board and strategy meeting.

### Meeting attendance in 2014

	Board scheduled
<b>Executive directors</b>	
Ashley Almanza (CEO)	7/7
Himanshu Raja (CFO)	7/7
Grahame Gibson	6/7
<b>Non-executive directors</b>	
John Connolly (chairman)	7/7
Mark Seligman (deputy chairman)	7/7
Mark Elliott (senior independent director)	7/7
Clare Spottiswoode	7/7
Winnie Fok	7/7
Paul Spence	7/7
Adam Crozier	6/7
Tim Weller	6/7

## Fair, balanced and understandable assessment

In relation to compliance with the Code, the board has given consideration to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable. The preparation of the annual report and accounts is coordinated by the finance, investor relations and company secretariat teams with group-wide support and input from other areas of the business. Comprehensive reviews were undertaken at regular intervals throughout the process by senior management and other contributing personnel within the group. The statement required to be given by the directors by Code provision C.1.1 can be found on page 88.

## Risk management and internal control

The directors acknowledge their responsibility for the group's system of risk management and internal control and for reviewing its effectiveness each year. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The group's key risks are summarised in the principal risks section on pages 44 to 50.

The key features of the group's risk management process, which was in place throughout the year under review, are:

- Senior executives in each business unit and region use a common risk management framework to provide a profile of those risks which may have an impact on the achievement of their business objectives.
- Each significant risk is documented in the group's risk management system, showing an overview of the risk, its owner, how the risk is managed, and any improvement actions. Risk appetite/tolerance is considered in the context of the residual (after controls and mitigation) risk with a particular focus on "High" net risks. To be categorised as "High" a risk must meet at least one of the following criteria:
  - major impact on the achievement of the business strategy;
  - serious damage to business reputation;
  - severe business disruption;
  - impact of > 5% on operating profit or assets.
- The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.
- Risk management committees have been established at regional and group level.
- Risk and control self-evaluation exercises are undertaken for each operating company, for most companies at least twice a year, and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions. The results of the company risk evaluations are assessed by the regional risk management committees.
- Both the regional committees and the group executive risk committee receive internal audit reports and regular reports on risks. They monitor the actions taken to manage risks.

The process is carried out under the overall supervision of the group executive risk committee, which comprises the group chief financial officer, the group general counsel, the group communications director, the group human resources director, the group director risk and audit and the group head of risk. The group executive risk committee reports to the group executive and to the Risk Committee of the board. The process outlined above is reviewed regularly by the board through its Risk Committee to ensure its robustness and suitability to meet the group's needs.

During 2015 the risk management improvement plan will focus on

- embedding the risk management approach into businesses across the group,
- enhancing the quality of information being provided by businesses,
- managing the group's residual risk exposure,
- progress on implementation of mitigation action plans,
- new and emerging risks,
- rolling-out enhanced contract approval and contract review processes for large contracts piloted in the UK region across the rest of group.

Further information about the Risk Committee, its remit, work during 2014 and its plans for 2015 can be found on pages 63-64.

The internal control system includes clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, and written policies and procedures.

In addition to a wide range of internal audit reports, senior management also receive assurance from other sources including security inspections, third party reviews, company financial control reviews, external audit reports, summaries of whistleblowing activity, fraud reports and risk and control self-evaluations.

The group has in place robust internal control and risk management systems for financial reporting. The group has a single global consolidation system which is used for both internal management reporting, budgeting and planning as well as external reporting. The group has a comprehensive budgeting process with the budget being approved by the board. Forecasts for the year are reported quarterly. Actual results at business unit, region and group level are reported monthly and variances are reviewed. A programme of business internal financial reviews is performed by a finance team from either region or group to check the accuracy of financial reporting and compliance with the group finance manual.

The Audit Committee undertakes a high-level review of risk management and internal control each year. As well as the above processes and sources of assurance, the Audit Committee also considers the following year end reporting in conducting this review:

- Summary of internal audit work including update on all open audits with a deficient rating, analysis of results by region, common audit findings and areas identified for improvement in internal controls.
- Summary of internal financial reviews including significant accounting or financial control issues and common concerns identified.
- Overview of year-end financial control status reports completed by all businesses confirming adherence to group standards with any exceptions reported.
- A broad overview of the general risk management and internal control systems in place during the year.
- Review of risk management processes and of the group's principal residual risks by the Risk Committee of the board.
- External audit year end reporting on financial controls and accounting.

Further information about the Audit Committee, its remit, work during 2014 and its plans for 2015 can be found on page 65-69.

The Audit Committee has confirmed that it is satisfied that the group's risk management and internal control processes and procedures are appropriate. The board has reviewed the group's risk management and internal control system for the year to 31 December 2014 by considering reports from the Audit Committee and the Risk Committee and has taken account of events since 31 December 2014.

G4S Government Solutions, Inc ('GSI') which was disposed of in November 2014 was governed through a proxy agreement under which the group was excluded from access to operational information; therefore GSI was not subject to the same risk management process as is applied to other group companies. The board had however satisfied itself as to the adequacy of the internal control processes adopted by GSI which included a risk review by an external advisor.

## Compliance with the UK Corporate Governance Code

The board's statement on the company's corporate governance performance is based on the September 2012 edition of the UK Corporate Governance Code, which is available on the Financial Reporting Council's website (<https://www.frc.org.uk>).

The Listing Rules require companies to disclose whether or not they have complied with all relevant provisions in the Code and to report how the main principles in the Code have been applied by the company. The Code recognises that alternatives to following its provisions may be justified in particular circumstances if good governance can be achieved by other means, provided the reasons are explained clearly and carefully. In such cases companies must also illustrate how their actual practices are consistent with the principle in question and contribute to good governance.

The company complied throughout the year under review with the provisions of the Code. The Corporate governance report, together with the Audit committee report and the Directors' remuneration report, describe how the board has applied these provisions.

## The Nomination Committee

IMAGE REMOVED

"There have been no changes to the composition of the board or its committees during 2014. Nevertheless the committee has been active to ensure that the membership of the board is appropriate and, where necessary, refreshed. Both Grahame Gibson and Mark Seligman will leave the board in 2015 and this has meant that the future composition of the board and its committees have been given careful consideration."

**John Connolly**  
Nomination Committee Chairman

IMAGE REMOVED

### Refreshing the board

After the changes to the board and the board committees made in 2013, it was felt that no changes were required during 2014, but the chairmanship of the Audit Committee passed to Tim Weller following the AGM. Mark Seligman will retire from the board in 2015 and stood down from the Audit Committee at the end of 2014. The Nomination Committee has therefore begun a process to seek a new non-executive director. The specification for the ideal candidate was drawn up after discussion by the full board and the Nomination Committee is being assisted by the external executive search consultant, the Zygos Partnership. Zygos has no other connection with the company other than as provider of recruitment consultancy services to the Nomination Committee.

Grahame Gibson will also stand down from the board in 2015 but the board and the Nomination Committee have agreed not to seek a replacement executive director at this time.

A number of the serving non-executive directors' terms of appointment expired during 2014 and the committee recommended to the board that such appointments be extended after consideration of the directors' independence, commitment to the role, their other commitments and the experience and qualities they bring to the board. When the directors concerned were also members of the Nomination Committee, they did not participate in the committee's deliberations.

### Diversity

The board's approach to diversity is set out on page 58.

### Committee performance

The performance of the Nomination Committee was reviewed as part of the exercise undertaken by Lintstock to assess the performance of the board and each of its committees. Whilst the Nomination Committee's performance was determined to have been satisfactory, the review did identify additional issues which it could consider. The committee has already begun to address those issues.

### Priorities for 2015

The committee's primary specific focus in 2015 will be the recruitment of a new non-executive director. In more general terms though, it will continue to monitor carefully the need to refresh the membership of the board and each of its committees and to ensure that membership has an appropriate range of talents and experience to fulfil their duties and to meet the needs of the group and its strategy over the medium and longer term. It will also ensure that succession planning is given appropriate prioritisation.

Committee membership and attendance	Meetings attended
John Connolly (chairman)	3 of 3
Adam Crozier	3 of 3
Mark Elliott	3 of 3

### Responsibilities

The Nomination Committee is responsible for making recommendations to the board on appointments and on maintaining a balance of skills and experience on the board and its committees. Succession planning for the board is a matter which is devolved primarily to the Nomination Committee, although the committee's deliberations are reported to and debated by the full board. The board itself also reviews more general succession planning for the senior management of the group.

The committee's terms of reference are available at [www.g4s.com/investors](http://www.g4s.com/investors)

### Succession planning

The entire board has considered succession planning for the senior management of the group in some detail during 2014 and, in addition, the Nomination Committee gave further consideration to the succession plans for the most senior board roles.

## The CSR Committee

IMAGE REMOVED

IMAGE REMOVED

"We are aware that both the inherent nature of the group's activity and the numerous and often complex and challenging environments in which it operates has a potential impact on societies. Our task is to ensure that such impact is a positive one. The work of the committee focuses on health and safety, business ethics and anti-bribery and corruption and human rights to ensure it is closely aligned to the group's values. Good progress was made in health and safety during the year with the safety rules campaign which took place across the group and road traffic awareness material made available to all businesses. However, too many of our colleagues still lose their lives to work-related incidents, therefore health and safety remains a priority in 2015."

**Clare Spottiswoode**  
CSR Committee Chair

As part of the CSR Committee's focus on health and safety during the year the committee oversaw a number of initiatives such as the roll-out of health and safety training to the senior management community and the Safety First campaign aimed at embedding 10 fundamental rules of safety in all businesses. As part of its normal cycle of work, the committee received six critical country reviews (CCRs) during the year. CCRs provide important information to senior management and the committee and are an important tool to support those businesses where fatalities have occurred in assessing their health and safety management, raising awareness and sharing good practices. The committee also reviewed the process for and policy on serious incident reporting and investigation.

As part of the annual review of the group's Business Ethics Policy, the document which defines what the group considers are acceptable and unacceptable business practices, the committee reviewed and commented on proposed changes. In addition, the committee oversaw the review of the whistleblowing policy and practices in place across the group which resulted in a number of changes being made to better align it with the principles of the "Whistleblowing Commission's" code of practice in the UK. This review also led to the selection of a new global whistleblowing hotline system, which will be implemented during 2015. A new case management tool which will enable the capture of information on whistleblowing cases across the group and the analysis of trends and issues raised in a more systematic way is also due to be implemented.

The CSR Committee receives regular updates on current issues and allegations from the group's internal audit, human resources and CSR teams.

### Committee performance

The assessment of the committee's performance concluded that it performed well in monitoring compliance with CSR policies and reviewing the integration of CSR processes within the group's broader risk management regime. The committee's targeted approach focusing on a small set of issues was found to be effective.

### Priorities for 2015

Priorities for 2015 are to drive continued improvements in health and safety and to monitor and review the implementation of enhanced whistleblowing systems and case management tools across the group.

### Committee membership and attendance

	Meetings attended
Clare Spottiswoode (chair)	3 of 3
Winnie Kin Wah Fok	3 of 3
Paul Spence	3 of 3

Other regular attendees include Grahame Gibson, one of the executive directors of the board, the group communications director and the group human resources director. When Grahame Gibson steps down later in the year, Peter Neden, Regional President for the UK and Ireland region and a member of the group executive committee will succeed him as the regular executive attendee at CSR Committee meetings. Peter has already attended one meeting in 2015.

### Responsibilities

The CSR Committee reviews and monitors the group's CSR strategy, which includes developing policies on various CSR-related matters for consideration by the board and reviewing the activities of the executives who have responsibility for CSR matters. The CSR Committee also reviews and monitors how the group performs against relevant policies. The committee oversees reporting on CSR matters and the company's separate CSR Report for 2014, which provides more detail on the group's CSR strategy and progress made during the year, is available at [www.g4s.com](http://www.g4s.com). Further details of the committee's responsibilities can be found in the committee's terms of reference which are available at [www.g4s.com/investors](http://www.g4s.com/investors).



## The Risk Committee

IMAGE REMOVED

"In 2013, recognising that risk oversight and risk governance are vital to the continued growth and profitability of the group, the board constituted a separate Risk Committee. The Risk Committee was tasked with providing robust oversight of the management of risk within the group. We have made considerable progress in this respect. During the past year, changes to the governance structures and processes were implemented. These are now well embedded in the business and are supported by a new risk management information system. In 2015 we will focus on ensuring that the business gets the maximum value from the investments made in 2014 by focusing on the quality of risk assessments and on making measurable progress on planned mitigation actions at all levels of the business."

**John Connolly**  
Risk Committee Chairman

IMAGE REMOVED

In 2014, a significant amount of the Risk Committee's time was allocated to risk governance. The committee reviewed and approved the revised group risk framework developed in response to the report commissioned from Deloitte during 2013. In doing so, the committee sought to ensure that the proposed changes would reinforce the group by providing a sound risk management and internal controls system to identify the risks facing the group as a whole, assess their likelihood and impact, develop robust mitigation plans and define clear control processes. Throughout the year, the committee received regular reports on the progress of its implementation.

The committee also defined the company's risk appetite and developed a more precise and formal group risk appetite statement which was subsequently approved by the board.

The principal residual risks to the group's 2014 business plan were reviewed and approved and reports from the group risk function on implementation by management of mitigation actions to address them were also received. The committee noted that the progress in reducing residual risk levels over the year across the group was variable. In some cases, this was due to changes external to G4S such as an increase in terrorism threats, political instability and civil unrest in certain regions, while in others the level of investment and timescales required to drive improvement in specific areas needed to be recognised. For example, although there was significant progress in the approach to health and safety across the group during 2014, more time is needed to ensure new practices become fully embedded in all businesses and translate into a significant reduction in the risk of injuries.

The committee tasked management with ensuring that the right balance is struck between the level of residual risk and the allocation of the group's resources to opportunities for improvement. Further details of the principal risks and uncertainties facing the business are set out on pages 44 to 50.

### Committee membership and attendance

	Meetings attended
John Connolly (chairman)	3 of 3
Ashley Almanza	3 of 3
Himanshu Raja	3 of 3
Paul Spence	3 of 3
Tim Weller	2 of 3

Other regular attendees include the group general counsel, and the group director of risk and audit.

### Responsibilities

The Risk Committee advises the board on the group's overall risk appetite, develops the group's risk management strategy, advises the Audit Committee and the board on risk exposures and reviews the level of risk within the group and assesses the effectiveness of the group's internal control and risk management systems. The committee's composition ensures that a broad-ranging set of skills and experience come together to look at how the group manages risk in the business. The Risk Committee will consider all significant risks to the group, not only financial risks. Further details can be found in the committee's terms of reference available at [www.g4s.com/investors](http://www.g4s.com/investors).

Contract risk management was another key area of focus for the committee which oversaw the inception and implementation in the UK of new review processes for new and ongoing contracts. With regard to new contracts, the group risk function was tasked with reviewing and improving contracts "onboarding" processes to ensure that, in addition to financial assessment criteria, other criteria focusing on the ability to win and deliver the opportunity were also considered. These changes to the group's contract risk management were implemented in the UK during the year and implementation across the rest of the group is planned during 2015.

The committee will receive regular reports on its implementation and key themes identified through these contract reviews are to be reported regularly to the committee.

The committee also conducted a review of two large high-risk and complex on-going contracts in the UK and a sub-committee considered a major contract bid, the risks associated with it and proposed mitigation plans.

#### **Committee performance**

The assessment of the committee's performance showed that the composition of the committee and the chairman's leadership were highly rated. It was also reported that the committee was effective in providing oversight of the controls in place over significant risks.

#### **Priorities for 2015**

Areas of focus for 2015 will include reviewing progress on embedding a risk management approach into businesses across the group with a view to increasing the quality of information being reported, reviewing the group's residual risk exposure and progress of mitigation action plans, as well as reviewing new and emerging risks.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

## The Audit Committee

IMAGE REMOVED

"As announced in last year's report, I succeeded Mark Seligman as chairman of the Audit Committee after the AGM in June 2014. Mark remained a member of the committee until the end of the year and I am very grateful for his support during this time. During the year, the group made significant progress in strengthening the organisation in terms of finance, internal audit and risk management. The Audit Committee's work focused on the group's system of internal controls, the quality of our group financial reporting and the effectiveness of the external and internal audit processes. We also conducted a tender for the role of the group's external auditor. This has resulted in the proposal to shareholders at the 2015 AGM to confirm the appointment of PricewaterhouseCoopers LLP as group auditor."

**Tim Weller**  
Audit Committee Chairman

The committee members were selected for their range of commercial and financial expertise, necessary to fulfil the committee's responsibilities. Each member of the Audit Committee brings significant and relevant experience gained at senior management level. Their skills and experience are set out on pages 52 and 53. The Audit Committee's chairman, Mr Weller, and Mr Seligman were considered by the board to be members of the Audit Committee with recent and relevant financial experience.

Audit Committee meetings are attended by the chief financial officer, the group financial controller, the head of group internal audit, the company secretary, the group director of risk and audit and representatives of the group's external auditor. The chairman of the board and the chief executive also attend meetings from time to time in agreement with the chairman of the committee.

After each meeting, the chairman of the committee reports to the board on the matters which have been discussed.

### Responsibilities

The committee makes sure there is effective governance of the group's financial reporting and internal controls to ensure the integrity of its financial statements and adequacy of related disclosures. The committee also has oversight of the performance of both the internal audit function and the external auditor. Further details can be found in the committee's terms of reference available at [www.g4s.com/investors](http://www.g4s.com/investors).

IMAGE REMOVED

Committee membership and attendance	Meetings attended	
	Scheduled	Unscheduled
Tim Weller (chairman) <sup>1</sup>	4 of 4	2 of 2
Mark Seligman <sup>2</sup>	4 of 4	2 of 2
Adam Crozier	4 of 4	2 of 2
Paul Spence	4 of 4	2 of 2

<sup>1</sup> Tim Weller became chairman after the AGM in June 2014.

<sup>2</sup> Mark Seligman stood down as chairman after the AGM in June 2014 and as a member on 31 December 2014.

The committee has an annual agenda which includes standing items that the committee considers regularly, as well as specific matters that require the committee's attention.

**Significant issues considered by the Audit Committee**

The primary issues considered by the committee in the 2014 financial statements and how these were addressed, were

Significant issue considered	Mitigation/Action
<b>Revenue recognition on UK Government and other contract-related provisions</b>	
The group delivers outsourcing services that can be complex in nature. There is a risk that billing and revenue recognition on these contracts is not in accordance with contractual entitlements or that contracts are forecast to be loss making over the remaining life of the contracts and therefore provisions may be required. The identification of potential loss making contracts and measurement of any related provision requires judgement to be exercised and there is a risk that provisions are not estimated appropriately. This was a prime area of focus for the Audit Committee and external audit.	<p>During the year management enhanced the processes and controls for contract reviews and now reviews on a quarterly basis the top 25 contracts for each region as well as those contracts with low profitability. In addition a new process of 360 degree contract review on the largest and most complex contracts was introduced covering financial, legal, reputational and operational risk criteria. These reviews are attended by at least one member of the group executive committee.</p> <p>Each quarter the Audit Committee receives a report summarising the results of these reviews and the contract judgements made. The committee was satisfied that the judgements made by management were balanced and the recommended provisions were appropriate.</p>
<b>Goodwill impairment testing</b>	
The total value of the group's goodwill and other intangible assets as at 31 December 2014 was £2.1bn and relates to a significant number of historic acquisitions. The estimation of the recoverable amount of goodwill supported by the group's cash generating units requires significant judgement, primarily in relation to the achievability of long term business plans and macroeconomic assumptions and related modelling assumptions underlying the valuation process. During the year there have been some changes in material contracts that required further focus on the review of future projections. Consequently this continued to be a significant area of focus for the committee, and a prime area of external audit focus.	<p>The committee addressed these matters through receiving reports from management outlining the basis for the assumptions used in relation to terminal growth, resulting headroom and sensitivities applied by management and alternative valuation bases such as reference to transactions for similar assets.</p> <p>The committee was satisfied with the carrying value of goodwill.</p>
<b>Taxation</b>	
The group operates in many tax jurisdictions, including countries where tax legislation is not always applied consistently and under certain complex contractual circumstances where the responsibility for tax arising is not always clear.	<p>The committee asked the external auditor to ensure that taxation constituted an important area of focus during the external audit and to report on key tax issues identified during the audit process. The committee also asked management to pay particular attention to the review of the level of estimation of tax provisions and contingencies in the financial statements.</p> <p>The committee was satisfied with the report from the external auditor and that the provisions in the financial statements are adequate.</p>
<b>Risk of management override of internal controls</b>	
The group operates in a large number of diverse locations with a significant number of local financial systems and processes which could potentially lead to management override of internal controls. During the year the group has continued to make significant investment in strengthening capability in finance, internal audit and risk, and introduced stronger internal controls and group oversight to mitigate these risks. These include monthly reviews of the quality of earnings, a comprehensive internal audit plan and a regular cycle of reviews of local business units or country balance sheets and controls.	<p>The committee reviewed the overall control environment of the group and monitored progress against the approved group internal audit plan for the year, the different financial control and balance sheet review processes and the output of the whistleblowing process. In addition the committee received regular updates on the implementation of risk and audit committees in each of the regions, the consistent application of the different financial control processes across the group and the half year review of financial statements by the external auditor.</p> <p>The committee also examined significant accounting estimates and judgements and the supporting documentation for evidence of fraud or bias that may represent a risk of material misstatement. The committee satisfied itself that the risk of material misstatement resulting from management override of internal controls was not significant.</p>
<b>Presentation of the income statement</b>	
In order to give better understanding of the underlying performance of the business the underlying results of the group are presented with separate disclosure of restructuring changes and specific items.	<p>The committee discussed the rationale for this presentation with management and with the external auditor and concluded that separate presentation of the restructuring charges and other specific items provides users of the group's financial statements with added clarity and transparency and therefore facilitates a clearer assessment of the group's performance over time.</p> <p>Management confirmed to the committee that appropriate accounting policies, guidance and controls had been exercised over the treatment of restructuring items and other specific items, allowing the committee to be satisfied that the presentation and disclosures were fair, balanced and reasonable.</p>
<b>Going concern and liquidity risk</b>	
The group has net debt of £1,578 million and the board has set a goal of net debt to EBITDA of <2.5 times over the medium term.	<p>The committee reviewed the group's forecasts of cash flow and net debt, taking into account reasonably possible risk sensitivities, as well as the financing facilities available to the group, noting the group had renewed its revolving credit finance facility for up to a further seven years. The committee also reviewed compliance with covenants and the availability of headroom in relation to those covenants.</p> <p>The committee was satisfied that the group adopted the going concern basis of accounting in the financial statements and recommended the same to the board.</p>

### Internal control

The group has in place robust systems of internal control and risk management for financial reporting. Their main features include clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, written policies and procedures and the use of a single global consolidation system for both internal management reporting, budgeting and planning as well as external reporting. The group budget is approved by the board. A regular update is provided by the group CFO on the outlook. Actual results at business unit, region and group level are reported monthly and variances reviewed. A programme of business internal financial reviews (IFRs) is performed by a finance team from either region or group to check the accuracy of financial reporting and compliance with the group finance manual.

The system is designed to ensure the integrity of financial reporting and the committee's responsibility is to ensure these internal controls remain effective. The committee does this primarily through reviewing the process followed by management to review the group's control environment such as IFRs.

The committee also receives quarterly reports from group internal audit, summarising the results of internal audits carried out. Open audits with a deficient rating, as well as common audit findings and areas identified for improvement, any instances of alleged fraud, in particular allegations of fraud involving employees in roles with responsibility over internal controls, are also included.

In addition, during 2014, the group introduced regional risk and audit committees in each of the regions formed by regional management, group management and internal and external auditors. They bring together a formal review of risk management for each region, internal and external audit issues arising and any significant judgements in the financial statements. The Audit Committee reviews the issues arising from these regional risk and audit committees. The Audit Committee has confirmed to the board that it is satisfied that the group's risk management and internal control processes and procedures are appropriate.

### Internal audit review

The Institute of Internal Auditors suggests that internal audit functions are subject to an external assessment at least every five years. In May 2013, the Audit Committee commissioned an independent review of the group's internal audit function by Deloitte.

Deloitte reported in November 2013 and found that the existing internal audit function was organised and diligent and made some suggestions for improvement in certain areas. The committee adopted Deloitte's recommendations aimed at strengthening the internal audit function and placing more emphasis on auditing the "third line of defence" activities. Resources available to the internal audit function were increased significantly.

A follow-up report from Deloitte was commissioned to assess the progress made by the group internal audit function. The report, submitted to the committee in August 2014, concluded that, although good progress had been made, certain areas required further work. Several initiatives, such as increasing collaboration between the risk and group internal audit functions, developing

a risk-based internal audit plan as well as changes to the reporting and communication on a quarterly basis of summary audit findings to the regional risk and audit committees had resulted in clear improvements. The need to ensure the efficient coordination of initiatives from internal audit, the finance team and the risk function was identified and addressed through the creation of a working group.

In October 2014, the group director, risk and programme assurance was appointed to the combined role of group director of risk and audit. The group internal audit team was reinforced significantly both through increasing the size of the team and also its expertise through the addition of a number of specialists in the areas of contracts and IT.

Each year, the committee reviews and approves the internal audit plan. The 2015 plan is more risk based than its predecessors and covers 55% of the group's businesses and 83% of the group's revenue. Reports from internal audit are reviewed at each committee meeting and the committee monitors senior management's responsiveness to issues raised in these reports.

### External auditor

The committee considers the reappointment of the external auditor, including the rotation of the audit partner each year and assesses its independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the group audit every five years. The current external auditor, KPMG Audit Plc was first appointed in 2005 and the current lead audit partner has been in place since June 2014. KPMG undertook the audit of the group's consolidated accounts for the year ending 31 December 2014, having been reappointed at the company's 2014 AGM.

Last year the company indicated that it planned to put the external audit engagement for the 2015 financial year out to tender and the associated tender process is outlined on page 68. The 'Big Four' audit firms were invited to take part in the tender. After discussion with the committee, the company and KPMG mutually agreed that KPMG would not participate in the tender, noting the longevity of their appointment. Responses to the audit tender were assessed using detailed evaluation criteria which incorporated key aspects of the Financial Reporting Council's audit quality framework, including organisation, capability and service delivery, audit quality, audit approach and team capability and fit. Having concluded the process at the end of September 2014, the committee recommended to the board that PricewaterhouseCoopers LLP (PwC) be appointed as the group's external auditor for the 2015 financial year. A resolution to this effect will be put to the shareholders at the company's AGM on 4 June 2015.

Subject to shareholders' approval, PwC will take over the audit engagement contract for the year ending 31 December 2015. There are no contractual obligations restricting the company's choice of external auditor.

A tripartite transition plan setting out the agreed principles, framework and timeline to ensure the efficient and effective transfer of the external audit arrangement from the incumbent to PwC has been prepared.

**Audit tender process**

In April 2014 having considered proposed changes to the UK Corporate Governance Code and the recommendations of the Financial Reporting Council, the company announced its intention to put the external audit engagement for the 2015 financial year out to tender. The process the company followed is outlined below.

<b>RFP development</b>	A request for proposal document was developed following consultation between the chairman of the Audit Committee and the chief financial officer and distributed to the four largest ('Big Four') audit firms in May 2014.
<b>Expressions of interest received</b>	Having received the request for proposal document, each of the participant audit firms completed a confidentiality undertaking and a conflict of interest declaration and affirmed its intention to respond.
<b>Preliminary meetings</b>	A preliminary meeting was held with each of the participant audit firms and members of the Audit Committee and chief financial officer in early June 2014 in order to establish the committee's overall requirements and the significance attached to the selected evaluation criteria.
<b>Data room access</b>	Access was then granted to historic information held within an externally hosted virtual data room throughout June-July 2014.
<b>Meetings with G4S senior management</b>	A series of meetings and conference calls were held during June-July 2014 between the participant audit firms and members of the group finance leadership team, company secretariat and regional finance directors in order to supplement the data room material.
<b>Written proposals</b>	A written response to the request for proposal was received from participant audit firms in early August 2014 together with a preliminary indication of the firms' independence to act as the group's auditor.
<b>Evaluation and assessment of the proposals</b>	During August-September 2014, these proposals were assessed and scored against the group's weighted evaluation criteria by executives from the group finance leadership team, company secretariat and regional finance directors.
<b>High-level meetings</b>	During August-September 2014, additional meetings were held between participant audit firms and the chairman of the Audit Committee and, separately, the chief financial officer.
<b>Presentations</b>	At the end of September 2014, participant audit firms made a final presentation of their overall proposals – and confirmed their independence to act as the group's auditor – to the members of the committee, chief executive officer and chief financial officer.
<b>Recommendation to the board by the Audit Committee</b>	On the basis of the above – and in conjunction with the evaluation of the audit firms' written proposals – the committee recommended to the board that PricewaterhouseCoopers LLP be selected as the group's external auditor for the 2015 financial year.
<b>Board decision</b>	The board accepted the committee's recommendation at its October 2014 meeting.

### Non-audit services

To ensure that the independence of the audit is not compromised, the committee has put a policy in place on the non-audit services that can be provided by the external auditor; the relevant approval process for certain services and those services the auditor is prohibited from providing. In essence, the external auditor is prohibited from providing services that could create a conflict of interest, result in the audit firm auditing its own work or result in the performance of management functions. The committee has pre-approved certain services which can be provided by the auditor subject to specified fee limits above which further approval is required. All other services would require prior approval by the committee.

Every year the Audit Committee reviews its policy on the provision of non-audit services by the external auditor. This year, the Audit Committee's review was carried out in light of the new EU regulatory framework for statutory audit, which was adopted in April 2014 and is due to come into force in June 2016. The review resulted in a number of amendments to the non-audit services policy to better align the policy with the proposed EU reforms. The list of pre-approved services, which includes consultation and due diligence services related to mergers and acquisitions, audits of employee benefit plans, reviews of internal accounting and control policies and general advice on financial reporting standards, was amended to include work of a reporting accountant nature (for example, stock exchange circulars or comfort letters). The approval process for non-audit services was also amended so that a two-tier approval process is now in place, whereby any engagement with the external auditor for pre-approved services above a certain threshold requires the joint prior approval of the Audit Committee chairman and the chief financial officer and any engagement with the external auditor for any other services or for pre-approved services above a second, higher, threshold requires prior approval from the committee.

The provision of any non-audit services by the audit firm must, in any event, comply with the requirements in that regard of the Auditing Practices Board. The auditor, KPMG Audit Plc, has written to the Audit Committee confirming that, in its opinion, it was independent for the period through to 5 March 2015.

Details of the fees paid for audit services, audit-related services and non-audit services can be found in note 10 to the financial statements. The external audit is a complex exercise involving more than 1,000 KPMG personnel covering over 110 countries in which G4S operates.

In anticipation of taking over the audit engagement contract for the year ending 31 December 2015, in order to ensure independence, PwC had previously terminated all services which fell within the scope of the non-audit services policy by 31 December 2014.

Since the Audit Committee is keeping under review whether and when to bring tax compliance and tax advisory services within the scope of the non-audit services policy, it is anticipated that the vast majority of tax compliance and tax advisory services being undertaken by PwC will have either terminated or transitioned by 30 June 2015. There were around thirty such services ongoing across the group at the beginning of 2015, however, these are deemed insignificant both individually and in aggregate.

### Effectiveness of the external auditors

A combination of formal and informal processes is used in the assessment of the effectiveness of the external audit process. A formal questionnaire is completed at the end of the audit by members of the audit committee, group finance department and the finance directors of significant operations across the group and the output is reviewed by the Audit Committee. The assessment of the external audit concluded that it remained effective and the external auditor independent.

### Committee performance

The assessment of the committee's performance showed that the committee remains effective at discharging its responsibilities and in particular in reviewing the quality of the group's financial reporting.

### Priorities for 2015

The priorities for the committee for the next year will include overseeing the transition of the group's external audit to the new auditor; reviewing the implementation of further changes to the internal audit function and testing the effectiveness of changes made to the internal controls environment.

## The Remuneration Committee

IMAGE REMOVED

"I am pleased to present the directors' remuneration report for 2014. As indicated by John Connolly and Ashley Almanza in their respective statements, in 2014 we made considerable progress in the implementation of our strategy and improved financial results. Those results are reflected in the pay outcomes for our executive directors."

**Mark Elliott**  
Remuneration Committee Chairman

The Remuneration Committee spent much of its time communicating with management on the implementation of our new annual and long term incentive systems. We focused on ensuring that these systems supported leaders both in delivering desired financial results and in the delivery of our strategy. In particular, we discussed non-financial measures of health and safety and group values and the manner in which they interact with our financial measures. We also discussed those items to be included in and excluded from our underlying performance metrics to ensure they reflect the highest quality outcomes. We are satisfied that our new leadership team has embraced and communicated those principles as they have delivered the new incentive systems across the group.

### How performance is reflected in remuneration outcomes

- There was strong growth in underlying group profit before tax and amortisation (PBT(A)) and underlying group operating cash flow, which reflected strong operating performances overall in both emerging and developed markets. At group level, the stretch financial targets set for the annual bonus were exceeded resulting in maximum payouts under the financial element of the annual bonus for two of the executive directors.
- Scoring for non-financial metrics ranged from 57% to 98% of maximum. As indicated above, we place a great deal of emphasis on health and safety across the group, and take our responsibilities to our employees and to wider society very seriously. As there were a number of health and safety incidents in the year, the Remuneration Committee took these into account for the bonus outcomes for all of our senior executives. Full details of the bonus outcomes for each of the executive directors are set out on page 79.

- In line with our policy, any annual bonus due to the directors in excess of 50% of maximum will be deferred for a period of three years and paid in G4S shares.
- Although operational performance in the year was strong, awards that had been made under our performance share plan in 2012 did not pay out. The threshold level of performance over the three-year performance period of the plan that ended in 2014 was not met for either relative TSR or EPS growth. This largely reflects the challenges the business has faced, and now addressed, in the earlier years of the performance period.

### How we implemented our remuneration policy

When operating the policy, the committee takes account of the overall approach and structure of employee reward across the group and pay decisions for the wider workforce as well as the results of relevant benchmarking data. It is the committee's intention that pay should reflect the responsibility attached to the role fulfilled, individual performance and other relevant market information. Our remuneration must allow the company to attract, retain and motivate directors who will lead the group in the long term interest of its stakeholders.

### Base salary increases

As disclosed last year, the CEO's salary was increased to £890,000 with effect from 1 January 2014, whereas salaries for other executive directors were unchanged. This year, both the CEO and CFO received a salary increase from 1 January of 3%. This increase took account of market salary levels as well as salary increases elsewhere in the group. As announced in October 2014, Grahame Gibson will be retiring from the board at the AGM in 2015 and his salary will remain unchanged again in 2015.

### How we operate our annual bonus plan

There were no changes to the way in which we operated our annual bonus during 2014. For 2015, the committee has decided to operate the annual bonus with financial measures of performance of underlying group earnings and underlying group operating cash flow before capex. The non-financial measures of performance are aligned with the group's strategic objectives and will continue to include health and safety. Underlying group earnings will replace the underlying group PBT(A) financial performance measure under the annual bonus for 2015, as we consider this to be a better indicator of the group's performance going forward.

### Our long-term incentive plan

We gained c 97% support from our shareholders for our new long-term incentive plan at the AGM in 2014. We plan to continue to operate our long-term incentive plan unchanged in 2015.

### UK Code compliance

We had anticipated the changes which were introduced by the revised UK Corporate Governance Code in September 2014 with respect to malus and clawback. Our incentive arrangements are already subject to malus and clawback, as explained on page 75.

As a result, no changes were needed to our incentive arrangements to comply with the new requirements in 2015. The Remuneration Committee's terms of reference have also been amended to bring them into line with the new Code requirements and can be found on our website at [www.g4s.com/investors](http://www.g4s.com/investors).



IMAGE REMOVED

### Consulting with our shareholders

We are committed to consulting with our top shareholders on key remuneration issues. In late 2013 and early 2014, we consulted with 13 of our largest shareholders as well as certain shareholders' representative bodies in respect of the proposed new LTIP and the directors' remuneration policy. Their feedback caused us to add clarifications on our policy statement and to alter some of the performance measures in the new LTIP. I will be available to answer questions and listen to the views of our shareholders at the forthcoming Annual General Meeting.

### Retirements

Trevor Dighton stepped down from the board at the 2013 Annual General Meeting and retired from the company on 30 July 2014. Details of Mr Dighton's termination arrangements are set out in detail on page 81.

As reported above, in October 2014 it was announced that Grahame Gibson would retire from the board at the Annual General Meeting on 4 June 2015. The committee will consider the retirement arrangements for Mr Gibson over the coming months, and we will provide full disclosure of these arrangements in next year's report.

I would like to take this opportunity to thank Mark Seligman, who will step down from the Remuneration Committee this year when he leaves the board at the AGM in 2015. The committee has benefited greatly from Mark's knowledge and experience.

### The committee's performance

The committee's formal performance review carried out at the end of 2014 concluded that the committee was effective and continued to perform well. In particular, the committee had achieved its goal to have greater involvement in the operation of incentive schemes across the group and to monitor the level and structure of remuneration for senior managers across the group.

### Voting on remuneration

The annual report on remuneration will be put to an advisory vote at this year's Annual General Meeting, and we look forward to receiving shareholders' support once again this year.

**Mark Elliott**

Remuneration Committee Chairman

26 March 2015

Committee membership and attendance	Meetings attended	
	Scheduled	Unscheduled
Mark Elliott (chairman)	3 of 3	2 of 2
Winnie Fok	3 of 3	2 of 2
Mark Seligman	3 of 3	2 of 2
Clare Spottiswoode	3 of 3	1 of 2

### Responsibilities

The Remuneration Committee is responsible for all elements of the remuneration of the executive directors, other members of the group executive committee and the chairman of the board. It also agrees with the board the framework and policy for the remuneration of other senior managers of the group and reviews and recommends the remuneration of the company secretary. In determining remuneration policy, the committee takes into account a variety of legal and regulatory requirements, and the relevant provisions of the UK Corporate Governance Code.

The committee also determines policy on the duration, notice period and termination payments under the contracts with the executive directors, with a view to recognising service to the company whilst ensuring that failure is not rewarded and that the duty to mitigate loss is recognised.

The committee approves the design and determines the targets and formulae for performance-related pay schemes operated by the company. It approves the eligibility of executive directors and other group executive committee members for annual bonuses and benefits under long term incentive plans and assesses performance against the objectives of those plans.

The committee's terms of reference are available on the company's website at [www.g4s.com/investors](http://www.g4s.com/investors).

### Our remuneration approach

We seek to attract and retain the best people whilst ensuring that the remuneration policy and practice drive behaviours that are in the long-term interests of the company and its shareholders.

#### Fixed pay

- base pay
- retirement benefits
- other benefits

#### Short-term incentives

- annual bonus plan (one year)

#### Long-term incentives

- Long term incentive plan (three years)

### Remuneration Policy

The company's remuneration policy for directors was set out in full in the company's 2013 Annual Report and Accounts on pages 66 to 72 and can also be found on the company's website. It was approved by shareholders at the company's Annual General Meeting held on 5 June 2014 with 98.38% of all votes cast in favour. The policy refers to a new long term incentive plan which was also approved at the 2014 Annual General Meeting, with 96.88% of all votes cast in favour. That policy came into effect on 6 June 2014 and will continue to apply for up to three financial years unless a new or revised policy is approved by shareholders in the meantime. No changes are proposed. For convenience a summary of some of the main features of the policy is set out on pages 72 to 77 below.

Directors' remuneration policy – summary

Remuneration policy for executive directors

### Base pay

**Purpose and link to strategy**

Base pay is set at competitive levels in order to recruit and retain high calibre executives with the skills required in order to manage a company of the size and global footprint of G4S

The level of pay will reflect a number of factors including individual experience, expertise and role

**Operation**

Reviewed annually and fixed for 12 months commencing 1 January. Interim salary reviews may be carried out following significant changes in role, scope or responsibility or at any other time at the committee's discretion

The final salary decision may also be influenced by role, experience, individual and company performance, internal relativities and increases for group employees

**Maximum opportunity**

Actual base pay for each executive director is disclosed each year in the Directors' remuneration report.

In determining salary increases, the committee considers market salary levels including those of appropriate comparator companies

Ordinarily, annual salary increases would be no more than the average annual increase across the group. However, in exceptional circumstances a higher level of increase may be awarded, for example

- following a significant change to the nature or scale of the business, or
- following a significant change to the nature or scope of the role, or
- for a new appointment, where the base pay may initially be set below the market level and increased over time, as experience develops and with reference to the individual's performance in the first few years in the role

Where exceptional increases are made we will fully disclose and explain the rationale for such increases

**Performance measures**

None, although individual performance may have a bearing on salary increases

### Benefits

**Purpose and link to strategy**

As with base salary, a suitable range of benefits is made available in order to recruit and retain high calibre executives

**Operation**

Executives are entitled to a number of benefits comprising paid holiday, healthcare for themselves and their family and life insurance of up to 4 times base salary, car allowance, business related transport, limited financial advice from time to time and expatriate benefits where relevant. A relocation allowance reflecting reasonable costs actually incurred will be paid. Other benefits may be granted at the discretion of the Remuneration Committee

Reasonable business expenses in line with G4S expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company

**Maximum opportunity**

maximum benefits per director per annum

- holidays – 30 days
- car allowance – £20,000
- business related local transport – £40,000
- for financial advice, expatriate benefits and relocation expenses, the expense will reflect the cost of the provision of benefits from time to time but will be kept under review by the committee
- other benefits granted at the discretion of the committee up to 3% of base pay per annum per director
- reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director

Any allowance in relation to relocation will provide for the reimbursement of reasonable costs incurred

**Performance measures**

None

## Annual bonus

### Purpose and link to strategy

Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives

Deferred element encourages long-term shareholding and discourages excessive risk taking

### Operation

Awarded annually based on performance in the year  
Targets are set annually and relate to the group and/or the business managed by the executive

Bonus outcome is determined by the committee after the year end, based on annual performance against targets

Bonuses are paid in cash, but executives are required to defer any bonus payable in excess of 50% of their maximum bonus entitlement into shares. Deferral is for a minimum period of three years. Dividends or equivalents accrue during the deferral period on deferred shares

Bonuses are not pensionable

### Maximum opportunity

Maximum opportunity of 150% of base pay per annum for the CEO and the CFO

125% of base pay per annum for any other executive director

### Performance measures

Typically, executive directors' bonus measures are weighted so that

- between 70% and 85% of the bonus is based on achievement of challenging financial performance measures (e.g. profit before tax and amortisation, organic growth cash-flow measures, etc.), with each measure operating independently of the others, and
- the remainder is linked to personal and/or non-financial measures, which are strategic or operational in nature

Each year, the committee may use its discretion to vary the exact number of measures, as well as their relative weightings, and this will be disclosed in the annual remuneration report.

As a result of the number of factors taken into account in determining bonus, there is no minimum pay-out level. For illustrative purposes, in the event that only threshold has been achieved, pay-out would be 35% of maximum, rising to full pay-out should achievement of a stretch performance level be achieved for all measures assuming the non-financial performance measures were satisfied

The deferred element of the bonus is not subject to any further performance measures but is subject to clawback in certain circumstances. The non-deferred part of the bonus, which is settled in cash, is also subject to clawback. (See separate section below on page 75)

## Long Term Incentive Plan (current)

### Purpose and link to strategy

Incentivises executives to achieve the company's long-term financial goals, as well as focus on value creation whilst aligning the interests of executives with those of shareholders

### Operation

Executive directors are granted awards on an annual basis, which vest over a period of at least three years subject to continued service and the achievement of a number of key performance measures

The Remuneration Committee reviews the quantum of awards to be made to each executive each year to ensure that they remain appropriate

Dividends or equivalents accrue during the vesting period on awards that vest

The award is settled by the transfer of market-purchased shares to the executive directors

All the released shares (after tax) must be retained until the minimum shareholder requirement is met. Currently, the minimum shareholding requirement is 200% of base salary for the CEO and 150% for the other executive directors

### Maximum opportunity

Maximum opportunity of 250% of base pay per annum for the CEO

Maximum opportunity of 200% of base pay per annum for the other executive directors

### Performance measures

Awards vest based on performance over a period of at least three financial years commencing with the financial year in which the award is made

Performance will be measured based on a combination of earnings per share growth, total shareholder return against a comparator group and average operating cash flow. For awards made in 2014, these were in the proportion of 40% 30% and 30% respectively. However, the committee retains the flexibility to amend these proportions, provided that no single measure will be a significantly greater proportion than the others

At threshold, 25% of the relevant portion vests. This increases on a straight-line basis up to 100% for performance in line with maximum. Targets are set out on page 83

Awards are subject to clawback in certain circumstances (see below on page 75)

## Retirement benefits

### Purpose and link to strategy

As with base salary and other benefits making available a suitable retirement benefits package aids the recruitment and retention of high calibre executives, allowing such executives to provide for their retirement

### Operation

G4S operates a defined contribution group-wide personal pension plan in the UK in which executives may participate. Alternatively, G4S may provide a cash allowance in lieu of a contribution into such plan.

The current executive directors receive cash allowances. The CEO receives 25% of base pay as a cash allowance, the

CFO receives 20% of base pay and the other executive director receives 40% of base pay reflecting his historic participation in a defined benefits plan which has been closed.

The level of award is kept under review by the committee and is intended to be broadly market comparable for the roles.

### Maximum opportunity

Maximum opportunity of up to 25% of base pay for the CEO and 20% for the other executive directors save that 40% of base pay per annum is payable to Grahame Gibson.

### Performance measures

None

## Remuneration policy for non-executive directors

## Chairman's fee

### Purpose

To attract and retain a high calibre chairman by offering a market competitive fee, which also reflects the responsibilities and time commitment. There are no performance-related elements.

### Operation

The chairman's fee is disclosed each year in the Directors remuneration report. The fees are reviewed annually by the committee. The annual fee is an all-inclusive consolidated amount. The committee retains the discretion to review the chairman's fees at any other time if appropriate.

The chairman's fees are reviewed against other companies of a similar size.

### Maximum opportunity

Ordinarily, any increase of the chairman's fee would be in line with other increases for similar roles in other companies.

Fees payable to the chairman and other non-executive directors in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

## Non-executive directors' fees (excluding the chairman)

### Purpose

To attract and retain high calibre non-executive directors (NEDs) by offering market competitive fees which should reflect the responsibilities and time commitment. There are no performance-related elements.

### Operation

NED fees including any additional fee for any additional role listed below are disclosed each year in the Directors remuneration report.

With the exception of the chairman, the fees for NEDs are structured by composition build-up consisting of:

- a base fee
- an additional fee for chairing a committee
- an additional fee for the role of deputy chairman
- an additional fee for the role of senior independent director

The NED component fees are reviewed annually by the executive directors. The board retains the discretion to review the NED fees at other times as appropriate, to reflect any changes in responsibilities or commitment.

The basic fee covers committee membership and each NED is expected to participate in one or more board committees. All the fees are reviewed against other companies of a similar size.

### Maximum opportunity

Ordinarily, any increase of the NEDs fees would be in line with other increases for similar roles in other companies.

Fees payable to non-executive directors (including the chairman) in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

## Benefits

### Purpose

Benefits may be provided from time to time in connection with the chairman and other NEDs performing their roles, such as business travel, subsistence and entertainment, accommodation and professional fees for tax and social security compliance, and other ancillary benefits

### Operation

Reasonable business expenses in line with G4S expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company

### Maximum opportunity

Reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director

Benefits and expenses will reflect the actual cost of provision

## Notes to the directors' remuneration policy summary

### 1 Performance measures

**Annual Bonus Plan** – The actual performance measures and targets are set by the Remuneration Committee at the beginning of each year. The performance measures used for our annual bonus plan have been selected to reflect the group's key performance indicators. The committee aims to ensure that the measures appropriately encourage the executive directors to focus on the company's strategic annual priorities, whilst the targets are set to be stretching but achievable.

The aim is to strike an appropriate balance between incentivising annual financial and strategic business targets and each executive director's key role-specific objectives for the year.

**Long Term Incentive Plan** – In choosing the performance measures for the Long Term Incentive Plan, the committee aimed to find a balance of measures which reflect the company's long-term financial goals as well as incentivise executives to create sustainable, long-term value for shareholders.

**Legacy plans** – The committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy summarised above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company.

For these purposes, payments may include the committee satisfying awards of variable remuneration. In cases where all or part of the variable remuneration award was in the form of shares, the payment terms are those agreed at the time the award was granted.

In particular, awards made under the previous Performance Share Plan will continue to vest in accordance with the rules of that plan and to the extent that the relevant performance tests are met. Details of the vesting of the awards will be published in the annual remuneration report each year.

The non-executive directors do not participate in any incentive schemes nor do they receive any benefits other than those referred to in the above table.

### 2 Malus and claw-back mechanisms

Since 2010, any cash and/or shares awarded under the annual bonus plans and the previous Performance Share Plan may be subject to clawback. The Long Term Incentive Plan and the annual bonus plan may be subject to malus or clawback from the executive director concerned if the Remuneration Committee so determines and, in the case of misstatement of accounts, where the Audit Committee concurs. The time period in which the clawback can be operated depends on the reason for the overpayment as set out in the table below.

The amount to be clawed back directly from the executive director will be the overpaid amount, but the Remuneration Committee retains the discretion to claw-back the "net" (i.e. post-tax) amount of the award received by the executive director.

Malus and claw-back	Annual Bonus Plan (including deferred elements)	LTIPs	
	2014 Plan	PSP (previous)	Current LTIP
Material misstatement of group financial accounts	up to 2 years after the payment of the cash element	up to 2 years after vesting (except where due to fraud or reckless behaviour when it shall be 6 years after vesting)	up to 2 years after vesting
Misconduct	up to 6 years after the payment of the cash element		up to 6 years after vesting
Fraud	unlimited		unlimited

### Principles and approach to recruitment and internal promotion of directors

When hiring a new executive director, or promoting to the board from within the group, the committee will offer a package that is sufficient to retain and motivate and, if relevant, attract the right talent whilst at all times aiming to pay no more than is necessary. Ordinarily, remuneration for a new executive director will be in line with the policy set out in the table summarised above. However, discretion may be required for exceptional circumstances such as dealing with remuneration relinquished in a previous job. The maximum level of on-going variable pay that may be awarded to new executive directors on recruitment or on promotion to the board shall be limited to 400% of base salary as set out in the policy table summarised above (calculated at the date of grant, excluding any buy-out awards – see below). Remuneration and any buy-out arrangements will be announced as far as possible at the time a new executive director or chairman is appointed, or in the following Directors' remuneration report.

When determining the remuneration of a newly appointed executive director, the Remuneration Committee will apply the following principles:

- The on-going remuneration package to be designed in accordance with the policy table summarised above.
- New executive directors will participate in the annual bonus scheme and long term incentive plan on the same basis as existing executive directors.
- The Remuneration Committee shall have discretion to grant one-off cash or share-based awards to executive directors where it determines that such an award is necessary to secure the recruitment of that executive director and where it is in the best interests of the company to do so. Such awards would only be made as compensation for remuneration relinquished under a previous employment (i.e. buy-out arrangements) and would be intended to mirror forfeited awards as far as possible by reflecting the value, nature, time horizons and performance measures attached. In such circumstances the company will disclose a full explanation of the detail and rationale for such one-off awards.
- In certain circumstances, it may be necessary to buy out long notice periods of previous employment.
- With regard to internal promotions, any commitments made before promotion and unconnected with the individual's promotion may continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.
- For external and internal appointments the Remuneration Committee may agree that the company will meet certain relocation expenses (including legal fees), as set out in the policy table.
- In determining the approach for all relevant elements, the Remuneration Committee will consider a number of factors including (but not limited to) external market practice, current arrangements for existing executive directors and other internal relationships.

### Service contracts

Shareholders are entitled to inspect a copy of executive directors' service contracts at the company's head office and annually at the AGM.

Executive directors' service contracts all have the following features:

- Contracts are drafted in line with best practice at the time the executive directors were appointed.
- Terminable on 12 months' notice by either party.

Specific provisions for Ashley Almanza and Himanshu Raja's contracts (dated 2013) that are not in Grahame Gibson's contract (dated 2006) include:

- Following board approval, Ashley Almanza is allowed to hold two external non-executive appointments (he is currently a non-executive director of Noble Corporation and of Schroders plc, although he will stand down from the board of Noble Corporation in the near future) and retain the fees paid directly to him for the appointments. Himanshu Raja is allowed to hold one external non-executive appointment and retain any fees paid directly to him for the appointment. Grahame Gibson's contract does not specifically deal with NED positions which will therefore be subject solely to board discretion.
- Mitigation obligations on termination payments are explicitly included in the 2013 contracts. Notice payments for Ashley Almanza are payable monthly and those for Himanshu Raja are payable in two six-monthly instalments, in advance.

There are no express mitigation provisions in Grahame Gibson's contract.

Non-executive directors' letters of appointment:

- Appointment is subject to the provisions of the articles of association of the company as amended from time to time regarding appointment, retirement, fees, expenses, disqualification and removal of directors.
- All continuing non-executive directors are required to stand for re-election by the shareholders at least once every three years, although they have agreed to submit themselves for re-election annually in accordance with the UK Corporate Governance Code.
- Initial period of appointment is two years.
- All reasonably incurred expenses will be met.
- Fees are normally reviewed annually.

### Loss of office payment

The duration of the notice period in each of the executive directors' contracts is 12 months

The Remuneration Committee would consider the application of mitigation obligations in relation to any termination payments where such provisions exist in the executive director's contract

The contracts do not provide for the payment of a guaranteed bonus in the event of termination. Directors (other than Himanshu Raja) will not be eligible for bonus accrual during any period of garden leave. In the case of Himanshu Raja, his contract provides for such accrual although any payment would depend on the discretion of the Remuneration Committee.

The value of the termination payment would cover the balance of any salary and associated benefits payments due to be paid for the remaining notice period, the value of which will be determined by the Remuneration Committee. The Remuneration Committee would also retain the discretion to make appropriate payments necessary to finalise any settlement agreement, but in exercising such discretion the Remuneration Committee will remain mindful to ensure that there is no reward for failure.

The fees for outplacement services and reasonable legal fees in connection with advice on a settlement agreement may be met by the company.

The table below illustrates how each component of pay would be calculated under different circumstances.

Plan	Automatic 'good leaver' categories	Treatment for 'good leavers'	Treatment for 'other leavers'
Annual bonus (cash element)	All leavers other than voluntary resignation and summary dismissal	Executive directors may receive a bonus to be paid on the normal payment date and in accordance with the agreed performance measures but reduced pro-rata to reflect the time employed	Bonus opportunity will lapse
Annual bonus (deferred share element)	<ul style="list-style-type: none"> <li>• Injury, disability or ill health</li> <li>• Redundancy</li> <li>• Retirement</li> <li>• Death</li> <li>• Termination without cause</li> <li>• Change of control or sale of employing company or business</li> <li>• Any other circumstances at the discretion of the Remuneration Committee</li> </ul>	Deferred shares may be released if the executive director ceases employment prior to the third anniversary as a result of one of the good leaver reasons	Deferred share awards shall lapse
Performance Share Plan (previous)	<ul style="list-style-type: none"> <li>• Injury, disability or ill health</li> <li>• Redundancy</li> <li>• Retirement</li> <li>• Death</li> <li>• Change of control or sale of employing company or business</li> <li>• Any other circumstances, provided that the Remuneration Committee considers there are exceptional circumstances</li> </ul>	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of the performance measures	Awards will lapse
Long Term Incentive Plan (current)	<ul style="list-style-type: none"> <li>• Injury, disability or ill health</li> <li>• Redundancy</li> <li>• Retirement</li> <li>• Death</li> <li>• Change of control or sale of employing company or business</li> <li>• Any other circumstances at the discretion of the Remuneration Committee</li> </ul>	<p>Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of performance measures at the relevant vesting date</p> <p>The vesting date for such awards will normally be the original vesting date unless otherwise determined by the Remuneration Committee</p>	Awards will lapse

As directors may leave employment for a wide range of reasons, the Remuneration Committee retains discretion to approve payments where the reason for leaving does not fall precisely within the prescribed "good leaver" category. The committee will take account of the director's performance in office and the circumstances of their exit. The committee will seek to balance the interests of shareholders, the departing director and the remaining directors. Any awards subject to performance conditions would be assessed at the end of the relevant period and be subject to time apportionment.

**ANNUAL REPORT ON REMUNERATION****SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)****Executive directors**

The following table shows a single total figure of remuneration in respect of qualifying services for the 2014 financial year for each executive director, together with the comparative figures for 2013. Aggregate executive directors' emoluments are shown in the final column of the table.

	Base pay £		Benefits £		Annual Bonus £		PSP £		Pension related benefits £		Total £	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Ashley Almanza	890,000	600,000	100,559	61,556	1,308,300	648,000	n/a	n/a	222,500	150,000	2,521,359	1,459,556
Grahame Gibson	609,084	639,483	83,604	110,652	439,823	103,000	0	0	243,633	255,793	1,376,864	1,108,928
Himanshu Raja	625,000	156,250	121,729	25,179	890,625	234,375	n/a	n/a	125,000	31,250	1,762,354	447,054

**Notes**

- 1 Certain information in 2013 relates to part years during which Ashley Almanza and Himanshu Raja served as executive directors
- a. For Ashley Almanza, figures for 2013 include the period from 1 April 2013 when he commenced employment and when he was Group CFO from 1 May 2013 (during which time his base pay was £625,000 per annum) prior to his appointment as Group CEO from 1 June 2013 (when his base pay increased to £850,000 per annum)
- b. For Himanshu Raja, figures for 2013 are from his appointment date on 7 October 2013 and this includes the period from 1 October 2013
- 2 Benefits include car allowance, business related travel, healthcare, disability and life assurance. Benefit values include the cost of certain travel, overnight accommodation and meals which HMRC treats as a taxable benefit and on which the company will pay tax in due course as it does not consider such expenses to be benefits in the ordinary sense. The grossed-up amounts for 2014 are £43,541 for Ashley Almanza, £59,521 for Himanshu Raja and £14,861 for Grahame Gibson. Benefit values also include local travel costs of £9,180 and £22,320 for Ashley Almanza and Himanshu Raja respectively who bear the tax themselves and other business costs which HMRC deems to be benefits. In 2014 for Grahame Gibson the benefits value includes a total value of £31,257 relating to flights for him and his family between the UK and US.
- 3 The benefits values for 2014 also include taxes met by the company in respect of certain expenses which were incurred in 2013.
- 4 Part of Mr Gibson's salary is paid in sterling and part in US\$. The US\$ element has been converted into sterling for the purposes of reporting at the exchange rates prevailing in each month in which Grahame Gibson was paid. The average exchange rate during the year was \$1.65055 (\$1.564933 in 2013).
- 5 Any bonus due above 50% of the individual's maximum bonus entitlement is awarded as deferred shares which vest after a period of three years.
- 6 In addition, Ashley Almanza received £122,500 from Schroders plc and a fee of \$96,000 as well as shares valued at \$230,993 from Noble Corporation from his non-executive directorships referred to on page 76 and retained such remuneration.

**Non-executive directors**

The following table shows a single total figure of remuneration in respect of qualifying services for the 2014 financial year for each non-executive director together with the comparative figures for 2013. Aggregate non-executive directors' emoluments are shown in the last column of the table.

	Base fee		SID		Chair of Committee		Deputy Chair		Benefits		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
John Connolly	356,500	348,000	n/a	n/a	n/a	n/a	n/a	n/a	5,307	2,638	361,307	350,638
Adam Crozier	58,400	56,800	n/a	n/a	n/a	n/a	n/a	n/a	1,489	2,198	59,889	58,998
Mark Elliott	58,400	56,800	10,750	5,896	17,775	17,550	n/a	n/a	2,495	3,871	89,420	84,117
Winne Fok	58,400	56,800	n/a	n/a	n/a	n/a	n/a	n/a	10,087	15,117	68,487	71,917
Mark Seligman	58,400	56,800	n/a	n/a	7,582	17,550	46,800	46,800	2,166	3,772	114,948	124,922
Paul Spence	58,400	56,800	n/a	n/a	n/a	n/a	n/a	n/a	39,545	72,348	97,945	129,148
Clare Spottiswoode	58,400	56,800	n/a	n/a	17,775	9,855	n/a	n/a	1,916	3,099	78,091	69,754
Tim Weller	58,400	42,600	n/a	n/a	10,192	n/a	n/a	n/a	1,954	1,256	70,546	43,856

Notes: The above fees were pro-rated where the appointments or retirements were part way through the year.

- 1 Mark Elliott was appointed as chair of the Remuneration Committee and senior independent director on 6 June 2013.
- 2 Clare Spottiswoode was appointed as chair of the CSR Committee on 6 June 2013.
- 3 Mark Seligman stepped down as chair of the Audit Committee on 5 June 2014.
- 4 Tim Weller was appointed as Chair of the Audit committee on 6 June 2014.
- 5 Benefit values include the cost of overnight accommodation, travel and meals which HMRC treats as a taxable benefit and on which the company will pay tax in due course as it does not consider such expenses to be benefits in the ordinary sense.
- 6 The 2013 benefits values differ from the figures reported in the 2013 remuneration report in some cases following a review of the calculation methodology. This is mainly related to the classification of the reimbursement for flights to attend board meetings.



## Further notes to the single total figure of remuneration tables

### 2014 Annual bonus

During the financial year ending 31 December 2014 the performance measures relating to the annual bonus scheme rules were consistent with the remuneration policy, with 85% of the bonus for all executive directors based on achievement of challenging financial performance measures set at the beginning of the year. The financial performance measures that applied to Ashley Almanza and Himanshu Raja were based on budgeted group profit before tax and amortisation and budgeted group operating cash flow before capital expenditure. The financial performance measures for Grahame Gibson consisted of four financial objectives, three of which were for the Americas region and the fourth was related to group PBTA. On-target performance would result in a payment of 60% of maximum entitlement, with 100% only being earned in the event of achievement of a stretch performance significantly in excess of budget.

The remaining 15% was linked to objectives relating to non-financial performance, which consist of personal objectives or relate to the organisation. In line with all senior business leaders across the group, the executive directors' personal performance-related objectives included an objective on health and safety.

The maximum bonus potential has remained unchanged from 2013. It is 150% of base pay for Ashley Almanza and Himanshu Raja and 125% of base pay for Grahame Gibson. Bonuses are paid in cash up to 50% of maximum entitlement. Where the bonus amount is in excess of 50% of the maximum bonus potential, the amount which exceeds 50% will be delivered in the form of a deferred share award which vests after a period of three years.

The tables below show how pay was linked to performance in 2014 and set out details of each of the financial measures, the targets in respect of these measures and the actual outcomes.

#### Ashley Almanza

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	70%	70%
Group OCF	£511m	£553m	15%	15%
<b>Total</b>			<b>85%</b>	<b>85%</b>

Non-financial objectives were set in the following areas:

Health and Safety

Strategy

People, organisation & values

Governance

Stakeholder Engagement

15% of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 13%.

### Performance Share Plan (PSP)

The PSP value shown in the single figure table relates to the 2012 PSP awards made in March 2012. The performance measures were earnings per share growth and relative total shareholder return. Neither of these performance tests were met and the outstanding award lapsed.

#### Himanshu Raja

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	70%	70%
Group OCF	£511m	£553m	15%	15%
<b>Total</b>			<b>85%</b>	<b>85%</b>

Non-financial objectives were set in the following areas:

Health & Safety

People capability building values and organisation

Governance & control

Operational Excellence

Cost Leadership initiatives

15% of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 10%.

#### Grahame Gibson

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	15%	15%
Regional PBTA	£118m	£114m	40%	19.04%
Regional Organic Growth	8.1%	9.2%	15%	15%
Regional OCF	£138m	£110m	15%	0
<b>Total</b>			<b>85%</b>	<b>49.04%</b>

Non-financial objectives were set in the following areas:

Health & Safety

Business Development/growth

Operational Excellence

People, Organisation & values

Cost leadership initiatives

15% of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 8%.

The table below sets out the annual bonus awards which were made to executive directors in respect of the financial year ending 31 December 2014.

	2014 annual bonus (£)	2014 annual bonus (% of salary)	2014 annual bonus deferred (% of salary)
Ashley Almanza	£1,308,300	147%	72%
Himanshu Raja	£890,625	142%	68%
Grahame Gibson	£439,823	71%	9%

\* Any bonus due above 50% of the individual's maximum bonus entitlement is awarded as deferred shares which vest after a period of three years.

	Cash	Deferred shares
Ashley Almanza	£667,500	£640,800
Himanshu Raja	£468,750	£421,875
Grahame Gibson	£380,678	£59,145

### TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

Neither Ashley Almanza nor Himanshu Raja is a member of the group's pension plan which is a defined contribution group personal pension plan available to all UK employees. Instead they receive cash allowances of 25% and 20% of their base pay, respectively.

Grahame Gibson ceased accruing pensions under the company's defined benefit scheme in 2006. A salary supplement in lieu of pension of 40% of basic salary was paid. His accrued pension at the relevant dates in the defined benefits scheme (all figures are in £'000s) is shown in the table below.

	Pension input amount 2014	Pension input amount 2013	Total accrued annual pension at 31/12/14	Total accrued annual pension at 31/12/13	Date accrual ceased	Normal retirement date
Grahame Gibson	0	0	24.2	21.7	6/4/2006	17/1/2013

#### Notes

- In 2011, Grahame Gibson transferred the majority of his pension benefits to a private pension arrangement leaving a residual pension payable from age 60. Grahame Gibson has passed normal retirement date and the accrued pension shown includes the application of a late retirement factor.
- The earliest date when entitlement to a pension arises without consent and without actuarial reduction is age 60 (the normal retirement date).
- On 3 March 2015, Grahame Gibson transferred his remaining and residual pension benefits in an amount of £363,188 to a private pension arrangement. The transfer value was calculated using the same actuarial basis as that used by the trustees of the pension scheme for all members.

### SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Awards under the LTIP approved by the shareholders at the company's AGM in June 2014 were made in July 2014. They were, however, deemed to have been made in March in order to be consistent with the company's normal grant policy. Details of the awards made to the executive directors are summarised in the table below and further details are given in the table on directors' shareholdings and interests on page 81.

Director	Award type	Number of shares	Face value (£)	Performance condition	EPS TSR and AOCF Performance period	% vesting at threshold
Ashley Almanza	Conditional shares	962,370	2,225,000	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 - 31/12/2016	25%
Grahame Gibson	Conditional shares	463,615	1,071,880	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 - 31/12/2016	25%
Himanshu Raja	Conditional shares	540,657	1,250,000	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 - 31/12/2016	25%

- The face value calculation was based on a share price of £2.312 which represents the average closing share price during the three business days following the announcement of the company's 2013 financial results.
- Further details on performance conditions are set out in the table below.

### PERFORMANCE MEASURES FOR LONG TERM INCENTIVES AWARDED IN 2014

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting	Ranking against the bespoke comparator group by reference to TSR	Proportion of allocation vesting	Average operating cash flow	Proportion of allocation vesting
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The bespoke comparator group consists of companies constituent of the FTSE 100 index corrected to exclude financial institutions and companies in the extractive sector and include competitor companies which are outside that index.

The company's current policy is to use market purchased shares to satisfy LTIP awards. Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards, vesting at the end of the performance period.

The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share. The committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising. TSR ranking will be verified externally.

## STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTEREST (AUDITED INFORMATION)

The executive directors are required to build up a minimum shareholding in G4S, as explained in the remuneration policy. Shares are valued for these purposes at the year-end price, which was 277.90p per share at 31 December 2014.

	Number of shares owned outright		Number of Deferred shares held as at 31/12/14	Total shares under LTIP awards subject to performance	Share ownership requirements (% of salary)	Shareholding requirements achieved
	2014	2013				
Ashley Almanza	100,000	100,000	85,640	1,739,407	200%	31%
Himanshu Raja	50,000	0	50,686	888,188	150%	22%
Grahame Gibson	657,553	659,208	0	1,111,310	150%	100%

### Notes

- Deferred share awards and PSP or LTIP awards do not include the further shares with a value equivalent to the dividends which are paid in respect of shares received. The number of shares is gross and will be subject to tax when they are released.
- In addition to the above, each of the directors has a deemed interest in the total number of shares held by the company's employee benefit trust. As at 31 December 2014, the trustees of the employee benefit trust held 6,408,450 shares (2013 – 6,934,564).
- Includes any shares owned by connected persons.
- The table does not include the deferred shares awarded to Ashley Almanza, Himanshu Raja and Grahame Gibson in respect of the portion of their annual bonus for the 2014 financial year which exceeds 50% of their respective maximum bonus entitlement.
- There were no vested but unexercised interests.

The shareholdings for non-executive directors are shown below.

	As at 31/12/2014	As at 31/12/2013
John Connolly	200,000	100,000
Adam Crozier	2,000	0
Mark Elliott	25,000	25,000
Winnie Fok	20,000	20,000
Mark Seligman	75,496	75,496
Paul Spence	10,000	10,000
Clare Spottiswoode	4,681	4,681
Tim Weller	37,570	37,570

There have been no changes in the interests of each of the directors between 31 December 2014 and the date of this report.

There are no requirements for the non-executive directors or former directors to hold shares once they have left the company.

## PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

No payments have been made to former directors of the company during the financial year ended 31 December 2014 other than those payments set out below (Payments for loss of office).

## PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

### Trevor Dighton

Trevor Dighton, who stepped down as a director of the company in June 2013, ceased to be an employee on 30 July 2014. Mr Dighton was entitled under the terms of his contract to payment comprising the following until his departure:

- Base pay of £42,500 per month
- Car allowance of £1,333.33 per month
- Cash allowance in lieu of pension of £17,000 per month

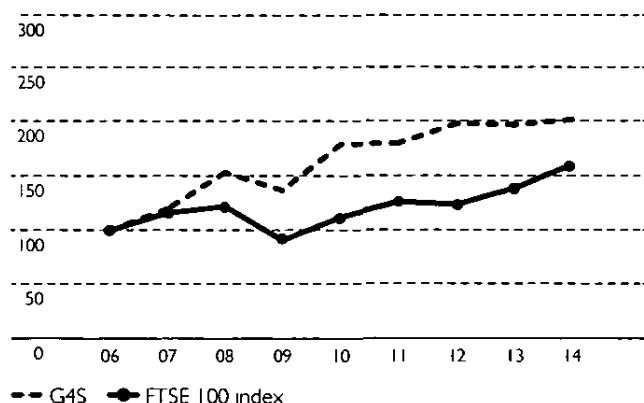
The total payment made for the period from 1 January 2014 to 30 July 2014 was £425,833. No further payment is due to be made.

Trevor Dighton has not received any bonus in respect of the year under review. His unvested awards under the PSP were subject to performance and were pro-rated to 30 July 2014. The award made in 2012 did not vest as the performance tests were not met. The award made in 2013 remains subject to performance which will be tested at the normal vesting date.

## PERFORMANCE GRAPH AND TABLE

The line graph below shows the nine-year annual Total Shareholder Return (TSR) performance against the FTSE 100 index. The directors believe this to be an appropriate form of broad equity market index against which to base a comparison given the size and geographic coverage of the company and the fact that the company is itself a member of the FTSE 100.

### 2006 – 2014 Total Shareholder Return



### CEO'S PAY IN LAST NINE FINANCIAL YEARS

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Incumbent	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Ashley Almanza
CEO's total single figure of annual remuneration (£000)	1,908	2,269	2,376	3,248	2,823	1,542	1,186	514	1,459
Bonus % of maximum awarded	76%	95%	83%	74%	53%	0%	0%	0%	72%
PSP% of maximum vesting	63%	75%	100%	100%	58%	14%	0%	0%	n/a

#### Notes

1. Nick Buckles stepped down as CEO on 31 May 2013 and Ashley Almanza took over as CEO from 1 June 2013.
2. After July 2011, the CEO's total single figure of annual remuneration included payment in lieu of pension. This was 40% of base pay for Nick Buckles and is 25% of base pay for Ashley Almanza. Prior to July 2011, a notional sum equal to 40% of relevant base pay has been included. The value of shares that vested in the relevant year under the PSP (or a notional value in the case of shares vested but unexercised) have been included in the prior year's CEO's total figures since that is the most relevant year for measurement of performance.
3. The figures before 2013 did not include taxable expenses.

### PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2013 and 2014 compares with the percentage change in the average of each of those components of pay for a selected group of G4S employees. The Remuneration Committee has chosen all employees in the UK as the group which should provide the most appropriate comparator.

	Percentage change in remuneration between 2013 and 2014		
	Salary	Benefits	Annual Bonus
CEO	5.7%	18%	101%
Average change for all other UK employees	(2.9%)	(3.3%)	See note below

- \* Information on bonuses is not readily available for all other UK employees.

G4S employs over 623,000 employees globally. Inflation is a key driver of general increases in salary and the structure of the benefits provided is often driven by the local market practice. Hence, as the Group CEO is based in the UK, employees in the same country rather than all employees within the group have been chosen as the comparator.

### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates the relative importance of spend on pay compared with other disbursements from profit.

Disbursements	2014	2013	Change
Dividends paid	£138m	£130m	6.2%
Total employee costs	£4,952m	£5,333m*	(7.2%)

- \* Restated for IFRS 10 and 11.

There were no share buy backs effected in either year.

## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2015

A summary of the directors' remuneration policy is set out on pages 72 to 77 and the full policy can also be found on [www.g4s.com/investors](http://www.g4s.com/investors)

### Executive directors' remuneration

#### Retirements

As reported in October 2014, Grahame Gibson will retire from the board at the Annual General Meeting on 4 June 2015

The committee will consider the retirement arrangements for Mr Gibson over the coming months, and we will provide full disclosure of these arrangements in next year's report

#### Base pay

For 2015 at the annual pay review it was decided to increase Ashley Almanza's and Himanshu Raja's base pay by 3% from £890,000 and £625,000 respectively to £916,700 and £643,750 respectively. No change was made to the base pay of Grahame Gibson.

#### Annual Bonus Scheme

The annual bonus for the 2015 financial year will operate on the same basis as that for 2014 and will be consistent with the remuneration policy. The maximum bonus opportunity remains at 150% of base pay for both Ashley Almanza and Himanshu Raja and 125% of base pay for Grahame Gibson. The financial measures are group earnings and operating cash flow. These have been selected as they support the company's key strategic objectives. As for last year, the financial measures are allocated an 85% weighting. For Messrs Almanza and Raja, non-financial measures will account again for up to 15% of their maximum bonus opportunity.

These are based on the group's core values and cover the following key areas:

- Health & Safety
- Growth, Market Share and Reputation
- Best People
- Operational Excellence
- Cost leadership
- Values

Mr Gibson's bonus will be measured solely against the financial measures mentioned above. Details of the performance measures and targets are deemed to be commercially sensitive since they relate to the 2015 financial year. To the extent that they are no longer commercially sensitive, targets and performance levels against them will be disclosed in the company's 2015 annual report and accounts. The proposed target levels for 2015 have been set to be challenging and align with the business plan. In reviewing the targets, the committee took into account a number of factors including for example the fact that in relation to group earnings, the minimum target that needs to be met in order for any bonus to be payable must be at least equal to the earnings in 2014. The committee considered the proposed targets relating to non-financial measures and concluded that these were also demanding.

#### Long Term Incentive Plan

The level of awards due to be granted in the 2015 financial year under the LTIP approved by the shareholders at the 2014 AGM will be consistent with the remuneration policy. As for 2014, the Remuneration Committee considers that a combination of earnings per share growth, total shareholder return and cumulative cash flow targets are the most appropriate performance measures for the 2015 awards as they provide a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders.

Awards granted under the LTIP during the 2015 financial year are subject to the performance conditions listed in the table below:

### PERFORMANCE MEASURES FOR LONG TERM INCENTIVES AWARDED IN 2015

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting	Ranking against the bespoke comparator group by reference to TSR	Proportion of allocation vesting	Average operating cash flow	Proportion of allocation vesting
Less than 5% pa	Nil	Below median	Nil	< 105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro rata between 25% and 100%	Between median and upper quartile	Pro rata between 25% and 100%	Between 105% and 125%	Pro rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The company's current policy is to use market purchased shares to satisfy LTIP awards.

Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards vesting at the end of the performance period.

The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share.

Adjustments to the EPS will be made in respect of:

- Constant exchange rates – in line with previous years, these will be normalised to the rates in the base year
- Acquisitions – earnings will be added to the EPS base at the level used in the acquisition business case
- Disposals – earnings will be removed from the EPS base at the business plan rate
- Share buy-back – the company will only execute buy-backs if the investment is economically accretive and it is in the interest of the company. The adjusted EPS for the purposes of calculating performance against the LTIP target shall be further adjusted by:
  - (a) increasing the average number of shares in issue during the performance year by the number of shares bought back during the past three years
  - (b) Decreasing the net interest cost in the performance year in respect of the interest charge on the cash cost of any share buy backs during the past three years. Interest will be calculated at the group's average costs of funds for the year.

## Directors' remuneration report *continued*

The Remuneration Committee will apply discretion in the event of impairment. If the impairment is not a result of management failure then it will not impact the payout.

The Remuneration Committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising.

Operating cash flow is a measure taken before capital expenditure and investments to ensure that management is not incentivised to under-invest in growth opportunities. Operating cash flow is expressed as EBITDA +/- working capital and provisions movement as a percentage of EBITDA. Average operating cash flow is the average over three years.

TSR ranking will be verified externally.

### Non-executive directors' remuneration

The fees payable to the non-executive directors are set by the executive directors and the chairman. The fees payable to the non-executive chairman are set by the Remuneration Committee. In both cases, fees are reviewed mid-year.

### ADVISORS TO THE REMUNERATION COMMITTEE

For 2014, the Remuneration Committee received advice from Deloitte as the committee's appointed advisor on executive and senior management remuneration matters. Towers Watson provided management remuneration information in respect of senior management who are not on the board. The Remuneration Committee has satisfied itself as to the independence of Deloitte. Deloitte is a member of the Remuneration Consultants Group and operates voluntarily under its code of conduct in the UK.

Advisor	Appointment	Services provided to Remuneration Committee	Fees for services to Rem Co	Other services provided to Company
Towers Watson	2006	Information on executive remuneration and pay benchmarking	£23,005	Provision of market remuneration data for senior management, collation of pension data for accounting purposes and pensions advice.
Deloitte	2014	Advice on executive remuneration	£57,200	Advice on controls, tax advice on expatriate and share plans and also provided other consulting services. These services were provided by different parts of Deloitte.
Alithos	2007	TSR – vesting indications for in-flight plans, verifying the TSR vesting percentage and advice on potential peer companies	£10,000	None

Fees for services to the Remuneration Committee are at an agreed rate based on time involved.

Herbert Smith Freehills LLP (HSF) provided legal advice to the company, including in relation to the operation of the company's incentive arrangements and on executive directors' service agreements. This advice was available to be considered by the Remuneration Committee.

The group chief executive, Ashley Almanza, provided guidance to the Remuneration Committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden, and the director of compensation and benefits, Sok Wah Lee. Neither the group chief executive nor the group HR director participated in discussions regarding their own remuneration.

The Remuneration Committee is satisfied that the advice it received during the year was objective and independent based on the experience of its members generally.

Information about who are the members of the Remuneration Committee and their attendance at meetings of the committee during the year under review can be found on page 71.

### STATEMENT OF VOTING AT GENERAL MEETING

At the company's Annual General Meeting which took place on 5 June 2014, two ordinary resolutions were passed, one to approve the Directors' Remuneration Policy set out in the annual report for the year ended 31 December 2013 and another to receive and approve the Directors' Remuneration Report for the year ended 31 December 2013.

The results of the vote are set out in the table below.

Resolution	For	Against	Withheld
Directors' Remuneration Policy	98.38%	1.62%	787,216
Directors' Remuneration Report	98.25%	1.75%	37,767,285

Mark Elliott  
Remuneration Committee Chairman

26 March 2015

## Directors' report

This is the report of the directors of the board of G4S plc for the year ended 31 December 2014

### 1 The company

G4S plc is a parent company with subsidiaries, associated undertakings and joint ventures in numerous jurisdictions. G4S plc has its primary listing on the London Stock Exchange and a secondary listing on the NASDAQ OMX exchange in Copenhagen.

### 2 Reporting obligations

In compliance with relevant listing rules and also DTR4 I 5 R and DTR4 I 8 R, the annual report contains the consolidated result for the year, shown in the consolidated income statement on page 99, a management statement contained in the Strategic Report and in the Directors' report and responsibility statements on pages 85 to 88.

Details of the development and performance of the group's business during the year, its position at the year end, future developments, principal risks and uncertainties and prospects of the group and other information which fulfil the requirements of a management report are contained on pages 8 to 50 of the Strategic Report and are incorporated by reference in this Directors' report. The Corporate governance report, the Audit Committee report and the Directors' remuneration report set out on pages 51 to 84 and the chief financial officer's review on pages 89 to 95 are also incorporated in this report by reference. The group's financial risk management objectives and policies in relation to its use of financial instruments, and its exposure to price, credit, liquidity and cash flow risk, to the extent material are set out in note 31 to the consolidated financial statements on pages 137 to 141 which is also incorporated by reference in this Directors' report.

### 3 Dividends

The directors propose the following net dividend for the year:

- Interim dividend of 3.42p (DKK 0.3198) per share paid on 17 October 2014
- Final dividend of 5.82p (DKK 0.6041) per share payable on 12 June 2015

Shareholders on the Danish VP register will receive their dividends in Danish kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish kroner; in which case they should apply in writing to the Registrars by no later than 7 May 2015.

### 4 Significant business acquisitions, disposals and developments

- In January 2014, G4S Cash Solutions (Canada) Limited was disposed of in Canada.
- In January 2014, G4S Holdings (Norway) AS was disposed of in Norway.
- In March 2014, a settlement agreement was entered into with the Ministry of Justice in the UK in relation to contracts for electronic monitoring services provided between 2005 and 2013 and two facilities management contracts.
- In July, G4S Secure Solutions AB was disposed of in Sweden.
- In November 2014, the US Government Solutions business was disposed of in the USA.
- In January 2015, refinancing of the multi-currency revolving credit facility agreement with a new principal amount of GBP 1,000,000,000 was completed.

### 5 Capital

The issued share capital of G4S plc at 31 December 2014 is as set out on page 151 (note 35 to the consolidated financial statements) and consisted of 1,551,594,436 ordinary shares of 25 pence each. The number of shares in issue as at 26 March 2015 remains unchanged.

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's Annual General Meeting. The resolutions are set out in the Notice of Meeting on pages 165 and 166 and further explanation is provided on pages 169 and 170. At 31 December 2014 the directors had authority in accordance with a resolution passed at the company's Annual General Meeting held on 5 June 2014 to make market purchases of up to 155,159,000 of the company's shares.

The company does not hold any treasury shares as such. However, the 6,408,450 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 151 (note 36 to the consolidated financial statement) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

### 6 Significant agreements

The company was party to a GBP 1,100,000,000 multi-currency revolving credit facility agreement which required prompt notification of a change of control event following which funds committed but unutilised could be cancelled and repayment of outstanding commitments would need to be made within 45 days.

This facility was refinanced, effective 7 January 2015, with a new principal amount of GBP 1,000,000,000. The change of control clause remains unchanged.

The company entered into two US Private Placement Note Purchase Agreements (the "USPP Agreements"), on 1 March 2007 and 15 July 2008 respectively. The first USPP Agreement is for USD 550,000,000 and series B-D senior notes representing USD 450,000,000 remain outstanding and mature between 1 March 2017 and 1 March 2022. The second USPP Agreement is for USD 513,500,000 and GBP 69,000,000 and series B-F senior notes representing USD 448,500,000 and GBP 69,000,000 remain outstanding and mature between 15 July 2015 and 15 July 2020. Under the terms of both USPP Agreements, the company is required to offer the note holders the right to purchase the notes at par value together with interest thereon upon a change of control.

Under the terms of the GBP 2,000,000,000 Euro Medium Term Note Programme, the company issued three tranches of Medium Term Notes (MTNs) to various institutions on 13 May 2009 (GBP 350,000,000), 2 May 2012 (Euro 600,000,000) and 6 December 2012 (Euro 500,000,000). In the event of a change of control, a put option comes into force according to which holders of any MTN may require the company to redeem the MTNs at par if the MTNs carry a sub-investment grade in the period immediately prior to the change of control, or in certain circumstances where the MTNs are downgraded to sub-investment as a result of the change of control.

## 7 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written-off to profit and loss during the year amounted to £10m (2013 £5m).

## 8 Employees

For the group's business to be successful and sustainable in the future, the directors recognise the importance of having highly engaged employees. They act as ambassadors for the G4S brand by providing great customer service and many want to stay with the organisation long term. To continually improve levels of employee engagement, the group aligns its strategies to the PRIDE model which sets out how the group should protect, respect, involve, develop and engage people. Businesses develop their own employee engagement plans based on feedback obtained from a group-wide biennial employee survey where the questions asked relate to the PRIDE model. In the last survey in 2013, over 380,000 employees shared their views about how they felt about working for G4S and for the last 12 months plans have been implemented to respond to the issues they raised.

As an organisation with a hugely diverse workforce, the group has opportunities for generating innovative ideas and creating competitive advantage. The group's ability to leverage this advantage is best achieved if an environment is created where employees feel included and able to share their own ideas and challenge other people's. To help create such an environment, the group has employment policies and procedures that do not discriminate and make it clear that behaviours that seek to undermine the dignity of others will not be tolerated. These policies cover aspects of employment such as recruitment and training, development and promotion opportunities. They are intended to ensure that the group is able to reach the widest talent pools in order to source the best people. Once recruited, the group wants to enable people to reach their full potential regardless of their background or any disabilities. The group's inclusive approach to employment and efforts to support employees who face challenges when they become disabled in the course of their work are some of the many reasons why over 80% of respondents in the last employee engagement survey stated that they would recommend G4S as an employer to a friend.

Protecting the group's employees is important not only as one of the drivers of engagement, but also as a business priority given the group's challenging and sometimes hostile operating environments. Having robust security practices helps ensure the safety of the group's own employees as well as those of its customers, so that both can perform their duties without fear of harm. As well as these procedures, the group has a clearly defined health and safety strategy and management system that identifies the actions needed for businesses to improve their safety performance. This includes communication and consultation with employees on matters of health and safety. Safety committees and representatives fulfil a vital role in raising potential problems, reinforcing safety messages and updating processes and procedures as operations change.

In the last 12 months, the group has accelerated its efforts to embed a health and safety culture with the addition of 'safety first' as a core value, the delivery of a series of toolkits and templates to improve road safety awareness and the provision of on-line training about safety leadership. There is much more to do and efforts will continue in 2015 to protect the group's people and work towards its goal of zero harm.

The group is committed to union relations at global, European and local country and business unit levels and has both a well-established international framework agreement with the global union federation UNI, and a European Works Council. Some of the group's union relationships have existed for over a decade, with high levels of trust and respect developed on both sides. Regular meetings with employee representatives take place with consultation and communication including updates on the company's performance and any financial or economic factors affecting it. The meetings also enable businesses to gather feedback on employee views about proposed changes and any concerns which may otherwise escalate if not addressed quickly. In non-unionised businesses, other employee forums and communication channels such as newsletters and employee briefings are used to ensure people are updated regularly on the company's performance and have the opportunity to ask questions on matters likely to affect their interests.

## 9 Financial instruments

Details of the financial risk management objectives and policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange risk are given in note 31 to the consolidated financial statements.

## 10 Political donations

Each year, the company's shareholders have passed a resolution on a precautionary basis to allow the company and its subsidiaries to make political donations to political organisations or incur political expenditure not exceeding £50,000. However, the board confirms that the group's policy is not to make any financial contribution to political parties and that the company and its subsidiaries have made no contributions during the year to political parties carrying on activities, or to candidates seeking election within the EU, or anywhere else in the world.

## 11 Greenhouse gas emissions

Alongside the risks faced by people and infrastructure from climate change are the challenges presented by the economic climate. Increased fuel costs and the introduction of 'carbon taxes' ensure that energy efficiency and environmental impact remain important to the effectiveness and sustainability of our business. We recognise the impact that our business activities can have on the environment and are committed to managing this impact in a responsible manner. Through our climate action programme, we measure, report and aim to reduce the intensity of our environmental impact.

### What we are doing

Since 2008, we have used WBCSD\* and WRI GHG\*\* protocols to measure our Scope 1 and 2 emissions – vehicle fleet, fuel, refrigerants and electricity usage for G4S businesses over which we have financial and operational control. In addition, we have measured Scope 3 emissions from employee business air travel.



The businesses that reported data in our 2014 GHG measurement represent 95.4% of the group's operations, across a 12 month period. This level of measurement, including each of our main service types, allows us to calculate reliably the total GHG emissions for 100% of the group.

#### How we are performing

The G4S total carbon footprint during 2014, extrapolated to 100% of the business equates to some 538,303 t/CO<sub>2</sub>e. Since 2010, our carbon intensity has decreased by 15.7% per £m of revenue. This reduction translates to a real reduction of 5.6% in carbon emissions against a 24.6% growth in the business during the same period, much of which includes carbon emissions from services which our customers have outsourced to G4S. This is a positive achievement which recognises the efforts made to increase the energy and fuel efficiency of our business.

\* World Business Council for Sustainable Development.

\*\* World Resources Institute greenhouse gas

#### GHG emissions

(Based on 95.4% measurement)	2013	2014
Vehicles (inc refrigerants)	319,902	322,674
Total buildings (inc refrigerants)	169,435	157,031
Including electricity emissions of	129,352	124,000
Air travel	23,793	20,925

#### Carbon intensity

	2010	2011	2012	2013	2014
Tonnes CO <sub>2</sub> e per					
£m turnover	90.5	85.4	79.3	81.4	76.3

Due to a failure of our supplier's management systems it has been necessary to estimate 33% of our UK energy consumption during 2014, equating to some 2% of our overall energy usage.

To estimate this figure, we calculated an average daily consumption rate based on our previous usage, taking national weather and temperature data into account, this was then extrapolated to cover the missing period.

#### Priorities for 2015

Continue to implement energy efficiency strategies with the aim of reducing carbon intensity by at least 4.5% per annum.

For further details of our climate action programme, please visit [www.g4s.com/cap](http://www.g4s.com/cap)

#### 12 Substantial holdings

The company had been notified under DTR 5 of the following interests in the ordinary capital of G4S plc:

##### As at 31.12.2014

Invesco	217,113,381 (13.99%)
Tweedy, Brown Company LLC	71,420,862 (5.06%)*
College Retirement Equities Fund	49,655,900 (3.2%)

\* notification received prior to the issue of 140,925,757 new shares on 28 August 2013, therefore percentage based on total shares in issue prior to that date.

##### Between 1.1.2015 and 26.3.2015

College Retirement Equities Fund	47,686,279 (3.073%)
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#### 13 Auditor

A resolution to appoint PricewaterhouseCoopers LLP, chartered accountants, as auditor to the company for 2015 and for their remuneration to be fixed by the Audit Committee will be submitted to the Annual General Meeting. The financial statements on pages 99 to 164 have been audited by KPMG Audit Plc.

#### 14 Directors

The directors, biographical details of whom are contained on pages 52 and 53, held office throughout the year.

In accordance with the code provisions on re-election of directors in the UK Corporate Governance Code 2012, each of the directors continuing in office will offer themselves for re-election. Messrs Gibson and Seligman will retire from the board at the conclusion of the company's Annual General Meeting in 2015 and will not therefore stand for re-election. The board believes that the directors standing for re-election possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company, and that they should be re-elected at the Annual General Meeting.

The contracts of service of the executive directors have no unexpired term since they are not for a fixed term. They are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

The company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 and have been in effect since 3 November 2006 for Messrs Elliott, Seligman and Gibson; 14 June 2010 for Ms Spottiswoode; 1 October 2010 for Ms Fok; 8 June 2012 for Mr Connolly; 1 January 2013 for Messrs Spence and Crozier; 1 April 2013 for Mr Weller; 1 May 2013 for Mr Almanza and 7 October 2013 for Mr Raja. Copies of the forms of indemnity are available on the company's website. In addition, indemnities have been granted by the company in favour of certain of the directors of certain of the group's subsidiaries in the UK, Germany and the Netherlands. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including the interests of their connected persons) in the share capital of G4S plc and of the directors' remuneration are set out on pages 70 to 84.

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

None of the directors had a material interest in any contract significant to the business of the group during the financial year.

By order of the board

Peter David  
Company Secretary

26 March 2015

## Directors' responsibilities

### Statement of directors' responsibilities in respect of the annual report and the financial statements

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 52 and 53 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 50 and pages 89 to 95 includes information on the group structure, the performance of the business and the principal risks and uncertainties it faces. The financial statements on pages 99 to 164 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. In addition to the above, the directors have considered the group's cash flow forecast for the next 12 months. The directors are satisfied that these cash flow forecasts, taking into account reasonably possible risk sensitivities associated with them and the group's current funding and facilities and its funding strategy, show that the group will continue to operate for the foreseeable future.

Accordingly, the directors have a reasonable expectation that the group and the company will continue to operate within the level of available funding for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

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 26 March 2015 and signed on its behalf by Himanshu Raja, chief financial officer.

**Himanshu Raja**  
Chief Financial Officer

26 March 2015

IMAGE REMOVED

Himanshu Raja  
Chief Financial Officer

## Disciplined financial and risk management

We have made good progress in embedding a new and robust financial and risk framework into the business and building the capability to ensure that the change is enduring.

### Introduction

We made good progress during the year in executing our strategic plans, this is reflected in the progress in our financial performance

The group's revenue from continuing operations increased by 3.9% to £6,750m PBITA was £424m<sup>1</sup>, a 7.9% increase on £393m<sup>2</sup> in 2013, and earnings grew by 11.7% to £210m

Revenue in our emerging markets grew by 8.9% to £2,398m and now represents 36% (2013 34%) of the group's total revenue and 40% (2013 40%) of the group's PBITA. In our developed markets, revenue increased by 1.4% to £4,352m with growth of 6.9% in North America and modest declines in the UK and Europe of 1.3% and 0.6% PBITA in both emerging and developed markets grew faster than revenue reflecting good operating leverage across our markets

Other specific items in the current year were a net £66m charge and resulted from increases in provisions for contract losses of £45m relating to UK government contracts the re-measurement of certain balance sheet assets and liabilities and other items of £32m and a net £10m charge relating to losses from smaller portfolio entities being sold or ceased and interest and tax from joint ventures. These charges were offset by a pension settlement gain of £21m relating to the transfer of the Netherlands secure solutions defined benefit pension scheme into an industry-wide scheme

Our restructuring programmes in 2013 and 2014 continued to deliver good returns, making the group more efficient and effective in its operating and overhead base. During 2014, we invested a further £29m in restructuring programmes principally in the UK & Ireland to bring the Ireland business under UK management and to introduce a shared services centre in the region, and in Europe we accelerated some of the best practice plans to reduce our overheads

The group also recognised a profit of £63m on discontinued operations principally from the sale of the cash solutions business in Canada, the businesses in Sweden and Norway and the disposal of US Government Solutions for combined gross proceeds of £177m. We now operate in over 110 countries. Portfolio management remains an important discipline in ensuring we maintain strategic focus, capital discipline and disciplined financial management across the group

PBIT for the year was £270m compared with the loss of £67m in 2013. Total profit for the year was £169m compared with a loss of £351m in 2013

The group has previously highlighted its focus on cash and free cash flow and it is pleasing to report that cash flow from continuing operations improved by 11% to £553m (2013 £496m). There remains more to do to improve our operational processes around billing and cash collections and this remains a key target for 2015

The group's net debt at 31 December 2014 was £1,578m (2013 £1,552m) resulting in a net debt to EBITDA ratio of 2.8

In January 2015 the group renewed its £1.1bn revolving credit facility. We saw good demand for the new facility of £1bn which matures in January 2020, with the option of two one year extensions which if exercised give the group facilities through to January 2021 and January 2022 respectively

Underlying EPS was 13.6p, up 5.4% on 12.9p in 2013 and total earnings per share was 9.8p compared with loss per share of 24.7p in 2013. The group has declared a final dividend of 5.82p (2013 5.54p), making the total dividend for the year 9.24p (2013 8.96p)

## Chief Financial Officer's review *continued*

### Strengthening our capability

During 2014, we made good progress in strengthening our financial and risk management across the group

We made a number of key changes across the finance organisation with the appointment of a new group financial controller, and appointed new regional finance directors in four of our six regions. They in turn have begun to strengthen the finance capability in their teams. We also went live on the first phase of our regional shared service centres for the UK & Ireland, and are developing plans to implement similar shared services in some of our other regions.

We brought together our risk and audit functions with the appointment of a Director of Risk and Audit.

We made progress in embedding our three lines of defence model with the introduction of regional risk and audit committees. These provide a key forum to review the regional level risks for

each region, mitigations and actions and a quarterly review of internal and external audit matters arising and any key judgements. Significant matters arising from the regional risk and audit committee are reported to the Board Audit Committee by the Director of Risk and Audit.

As reported under the governance report, we have also strengthened our contract risk and management processes.

### Outlook

Our strategic plan addresses a positive, long term demand outlook for our core services and seeks to deliver sustainable, profitable growth. We are making good progress with the implementation of our strategic plan and this was clearly reflected in the group's commercial, operational and financial performance in 2014. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015.

## GROUP FINANCIAL PERFORMANCE

### Summary income statement

For the year ended 31 December 2014

	Underlying results <sup>1</sup> 2014 £m	Other specific items 2014 £m	Acquisition related charges 2014 £m	Total 2014 £m	Underlying results <sup>1</sup> 2013 <sup>2</sup> £m	Total results 2013 <sup>2</sup> £m
Revenue	6,750	98	–	6,848	6,496	6,615
PBITA before restructuring costs	424	(66)	–	358	393	86
Restructuring costs	–	(29)	–	(29)	–	(63)
PBITA	424	(95)	–	329	393	23
Amortisation	–	–	(58)	(58)	–	(69)
Goodwill impairment	–	–	–	–	–	(41)
Acquisition-related expenses	–	–	(1)	(1)	–	(4)
Profit on disposal of subsidiaries	–	–	–	–	–	24
PBIT	424	(95)	(59)	270	393	(67)
Interest	(120)	(2)	–	(122)	(122)	(123)
PBT	304	(97)	(59)	148	271	(190)
Tax	(76)	21	13	(42)	(68)	(47)
PAT	228	(76)	(46)	106	203	(237)
Discontinued operations	–	63	–	63	–	(114)
Profit/(loss) for the year	228	(13)	(46)	169	203	(351)
Non-controlling interests	(18)	1	–	(17)	(15)	(8)
Profit/(loss) attributable to equity holders of the parent	210	(12)	(46)	152	188	(359)
Earnings per share: Basic and diluted	13.6p			9.8p	12.9p	(24.7)p

### Reconciliation of summary income statement to consolidated income statement

The table below reconciles revenue and PBITA as originally presented in the prior year consolidated income statement to the results presented in the current year consolidated income statement.

	2014 Revenue £m	2014 PBITA £m	2013 Revenue £m	2013 PBITA £m
Statutory results as reported	6,848	414	7,428	442
Effect of discontinued operations	–	–	(145)	(4)
Effect of adoption of IFRS 10 and IFRS 11	–	–	(222)	(21)
Restated results reported in consolidated income statement	6,848	414	7,061	417
Portfolio businesses and joint ventures	(98)	10	(119)	5
Exchange differences	–	–	(446)	(29)
Restated results as reported in the summary income statement	6,750	424	6,496	393

### Basis of preparation

The following discussion and analysis is based on, and should be read in conjunction with, the consolidated financial statements including the related notes, that form part of this annual report. The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and as adopted by the EU. A reconciliation of the summary income statement to the statutory results is set out on page 90.

To clearly present the underlying results of the group, PBITA represents the underlying continuing profit before interest, tax and amortisation of the group, excluding the interest and tax from joint ventures and the profits and losses of smaller portfolio businesses being sold or ceased, in line with the group's strategy. Specific items have been disclosed separately. The prior year income statement comparative information is shown at constant exchange rates on pages 89 to 95 unless otherwise stated. The statutory results of the group at actual exchange rates are set out on pages 99 to 155.

Specific items are those that in management's judgment need to be disclosed separately by virtue of their size, nature or incidence. Specific items also include provisions for onerous contracts, non-recurring restructuring costs, remeasurement of certain assets and liabilities and the profit and losses from smaller portfolio businesses.

### Revenue

Revenue was £6,750m, an increase of 3.9% on 2013. Organic growth was impacted by the loss of three significant contracts in the UK, Netherlands and Australia.

Emerging markets grew 8.9% year on year and, with revenues of £2.4bn, now represent 36% of group revenue (2013: 34%). Developed markets revenues were 1.4% higher than the prior year with growth in North America of 6.9% offset by a small decline in Europe of 0.6%. As expected, UK & Ireland revenues declined by 1.3% as the Electronic Monitoring contract ended in Q1 2014 and due to contract rationalisation.

### Gross margin and PBITA

	2014 £m	2013 £m
Revenue	6,750	6,496
Cost of sales	(5,409)	(5,202)
Gross profit	1,341	1,294
Gross margin (%)	19.9%	19.9%
Selling, general and administrative costs	(917)	(901)
PBITA	424	393

Gross margin for the year ended 31 December 2014 remained at the same level as the prior year. Developed markets gross margin remained constant year on year at 18.7%, emerging markets gross margins declined by 20 basis points to 22.0% (2013: 22.2%). Across the group gross margin benefited from our targeted restructuring programmes and from the progress on our accelerated best practice programmes on direct labour efficiency, route planning and telematics.

Our selling, general and administrative expenses were £917m, a 1.8% increase year on year. This was after the investment of £20m we made in sales and business development capability. There remains much to do to continue to drive productivity across the group. We will continue to seek more efficiency in our organisation and to introduce more efficient and leaner processes.

### PBITA

PBITA of £424m up 7.9% (2013: £393m) represents the ongoing operations of the group. PBITA margin increased to 6.3% (2013: 6.0%) benefiting from the progress on our Accelerated Best Practice programmes on direct labour efficiency, route planning and telematics, focus on organisational efficiency. It included the investment of £20m annualised we made in sales and business development capability. Corporate costs reflect the investment in financial control, risk management, procurement and IT capability, together with an increase in non-cash items, resulting in a £12m increase principally related to pensions and LTIPs.

2013 PBITA has been restated to adjust for discontinued operations, portfolio businesses that have been sold or discontinued and for the impact of adopting the new consolidation and joint arrangement standards (IFRS 10 and IFRS 11). PBITA also excludes interest and tax relating to joint ventures which are presented on the associated lines in the summary income statement.

### Specific items

Specific items have been disclosed separately from the underlying results to provide a clear understanding of the underlying trading performance of the group.

	Other Specific items	
	2014 £m	2013 £m
Contracts review	(45)	(136)
Review of assets and liabilities	(32)	(166)
Pension settlement gain	21	–
Portfolio businesses and joint ventures	(10)	(5)
Restructuring	(29)	(63)
Discontinued operations and profit on disposal	63	(90)
Tax, interest and NCI	20	6
	(12)	(454)

Other specific items that have been charged to PBITA in 2014 totalled £95m (2013: £370m) and comprised:

- £45m increase in provisions for legacy UK Government contracts. In 2013 a provision of £136m was taken on onerous contracts including £116m for the Electronic Monitoring contract which was settled in March 2014.
- A net £11m charge, mainly arising from the re-measurement of the 2013 review of assets and liabilities of £32m, offset by a pension settlement gain of £21m in the Netherlands. In the prior year the group provided £166m against certain assets and liabilities as part of the 2013 review.
- A net £10m charge, being the profit and losses from the smaller portfolio entities being sold or ceased and interest and tax from joint ventures.
- The group invested £29m in restructuring programmes during the year (2013: £63m), including programmes in the UK & Ireland. In addition, major programmes were continued in Europe implementing accelerated best practice programmes focused on organisational effectiveness and back office synergies.

In 2013 £41m was written off goodwill on acquisitions and the group recognised a gain of £24m following the disposal of the Colombia Data Solutions business.

#### Amortisation and impairment

Acquisition-related intangible assets included in the balance sheet at 31 December 2014 consisted of £1,939m goodwill £83m acquisition-related intangible assets and £82m other intangible assets

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £58m (2013 £69m)

Goodwill is not amortised, but it is tested for impairment annually and the group did not incur any impairment charge to continuing or discontinued operations for 2014. In 2013 the group incurred a charge of £41m (at constant exchange rates) relating to goodwill impairment. See note 18 on page 128 for details of the results of the group's impairment test for the year ended 31 December 2014

#### Interest and tax

Net interest payable on net debt was £100m (2013 £103m), benefiting from lower interest rates and a decrease in 2014 average net debt. The pension interest charge was £22m (2013 £20m) resulting in total net interest costs of £122m (2013 £123m)

The effective tax rate for the year on underlying earnings was 25% (2013 25%)

#### Discontinued operations

The profit from discontinued operations of £63m comprised £71m of profit on disposal, offset by losses from discontinued operations of £8m

The profit on disposal arises from the sale of the cash solutions business in Canada, the businesses in Sweden and Norway and the disposal of the US Government solutions business in November 2014

Proceeds received on the disposal of businesses was £177m during 2014 (comprising £159m cash proceeds and £18m relating to the settlement of outstanding leases). A further \$55m mainly relating to retained receivables is due to be received over the next 18 months from the US Government solutions business of which \$15m was received in January 2015

#### Joint ventures

The group has adopted the three new consolidation standards IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements' and IFRS12 'Disclosure of Interests in Other Entities' for the year ended 31 December 2014. For more details on the impact of adopting these standards please see note 3(w)

The adoption of these new standards resulted in certain group businesses being re-classified from subsidiaries to joint ventures and therefore changing from being fully consolidated to equity accounted

As a result of adopting these standards the group has restated its prior year results which reduced revenue for the year ended 31 December 2013 by £222m and reduced PBITA by £21m (both at 2013 exchange rates). The entities affected are largely in the Middle East with a lower or zero effective rate of tax, and have the effect of increasing the group's effective tax rate on underlying PBT to 25%

#### Non-controlling interest

Underlying profit attributable to non-controlling interests was £18m in 2014, an increase on £15m for 2013, mainly due to the partners' share of profit increasing in certain strongly performing businesses in the Asia Middle East region. Total profit attributable to non-controlling interests was £17m in 2014, an increase on £8m due to the partners' share of specific items charges in 2013

#### Profit for the year

The group made a total underlying profit attributable to equity holders ('earnings') of £210m (2013 £188m), an increase of 12% for the year ended 31 December 2014

The group made a profit of £169m (2013 loss of £351m) for the year after specific items interest, tax, amortisation and the results of discontinued operations

#### Earnings per share (EPS)

	Underlying earnings per share		
	2014	2013 at constant exchange rates	2013 at actual exchange rates
	£m	£m	£m
Profit for the year	228	203	222
Non-controlling interest	18	15	15
Profit attributable to shareholders	210	188	207
Average number of shares (m)	1,545	1,452	1,452
EPS (p)	13.6p	12.9p	14.3p

	Total earnings/(loss) per share		
	2014	2013 at constant exchange rates	2013 at actual exchange rates
	£m	£m	£m
Profit/(loss) for the year	169	(351)	(357)
Non-controlling interest	17	8	8
Profit/(loss) attributable to shareholders	152	(359)	(365)
Average number of shares (m)	1,545	1,452	1,452
EPS (p)	9.8p	(24.7)p	(25.1)p

Underlying earnings per share increased to 13.6p (2013 12.9p)

Total earnings per share was 9.8p (2013 loss per share 24.7p)

These are based on weighted average number of shares in issue of 1,545m (2013 1,452m)

Underlying earnings excludes the results from discontinued operations and smaller portfolio entities being sold, amortisation and impairment of acquisition-related intangible assets, acquisition-related costs and specific items, all net of tax. This better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future performance

### Cash flow

A reconciliation of profit/(loss) to movement in net debt is presented below, with 2014 presented at the actual rates in the year and the prior year presented at 2013 exchange rates

	2014 £m	2013 £m
<b>Profit/(loss) retained for the year</b>	<b>152</b>	<b>(365)</b>
Adjustments for non-cash and other items (page 102)	196	789
<b>Net cash flow from operating activities of continuing operations</b>	<b>348</b>	<b>424</b>
Adjustments to exclude		
Pension deficit payments	42	38
Electronic Monitoring payments (including fees)	116	–
Restructuring investment	47	34
Corporate items (see below)	(27)	(76)
<b>Cash flow from operating businesses</b>	<b>526</b>	<b>420</b>
Corporate items		
Electronic Monitoring contracts receivable (2013 Olympics receivable)	27	76
<b>Cash flow from continuing operations</b>	<b>553</b>	<b>496</b>
Cash from discontinued operations	(12)	31
<b>Net cash generated by operations</b>	<b>541</b>	<b>527</b>
<b>Investment in the business</b>		
Purchase of fixed assets, net of disposals	(122)	(167)
Restructuring spend	(47)	(34)
Acquisitions of businesses	(3)	(23)
Disposal proceeds	159	35
Net debt in disposed entities	(12)	(12)
Net movement in finance leases	(9)	(12)
<b>Net investment in the business</b>	<b>(34)</b>	<b>(213)</b>
<b>Net cash flow after investing in the business</b>	<b>507</b>	<b>314</b>
<b>Other (uses)/sources of funds</b>		
Net financing	(114)	(108)
Tax	(81)	(83)
Pensions	(42)	(38)
Dividends	(149)	(151)
Share capital	–	343
Electronic Monitoring (including fees)	(116)	–
Other <sup>3</sup>	(23)	18
<b>Net uses of funds</b>	<b>(525)</b>	<b>(19)</b>
<b>Net cash flow after investment, financing and tax</b>	<b>(18)</b>	<b>295</b>
Net debt at beginning of year	(1,552)	(1,829)
Foreign exchange	(8)	(18)
<b>Net debt at end of year</b>	<b>(1,578)</b>	<b>(1,552)</b>

Cash generated from continuing operations was £553m (2013 £496m) Operating cash flow from operating businesses was £526m (2013 £420m) before corporate items 2013 included £76m relating to the 2012 Olympics and 2014 included the £27m receipt following the Electronic Monitoring contract settlement with the UK Government The group invested £122m in capex, net of asset disposals in the year (2013 £167m) and received proceeds of £177m from the disposal of portfolio businesses (including £18m for the settlement of outstanding leases)

The net cash flow after investing in the business and proceeds from portfolio rationalisation was £507m (2013 £314m) an increase of 61%

### Net debt

The net debt position as at 31 December 2014 was £1,578m (2013 £1,552m) The group's net debt to EBITDA ratio was 2.8 (2013 2.8)

### Net debt maturity

The group's credit rating was confirmed by Standard & Poor's as BBB- (Stable) in August 2014 As of 31 December 2014 the group had access to unutilised and committed facilities of £998m The group has sufficient borrowing capacity to finance its current and medium term investment plans

The group has no material debt maturities until May 2017 and has a diverse range of finance providers Borrowings are principally in pounds sterling, US dollars and Euros, reflecting the geographies of significant operational assets and profits

The group's primary source of bank finance is a £1.1bn multi-currency revolving credit facility ('RCF') provided by a consortium of lending banks at a margin of 1.3% over LIBOR, maturing on 16 March 2016

The RCF was successfully renewed on 7 January 2015 with improved pricing, terms and conditions achieved The new facility is a five-year £1bn committed facility with the option of two one-year extensions which, if exercised, gives the group facilities through 2021 and 2022 respectively The initial margin over LIBOR is 70 bps

The group also has US \$450m in financing outstanding from the private placement of unsecured senior loan notes on 1 March 2007 maturing at various dates between 2017 and 2022 and bearing interest at rates between 5.86% and 6.06%. The fixed interest rates payable have been swapped into floating rates for the term of the notes, at an average margin of 0.60% over LIBOR

On 15 July 2008, the group completed a further US \$514m and £69m private placement of unsecured senior loan notes, of which US \$449m and £69m remain outstanding maturing at various dates between 2015 and 2020 and bearing interest at rates between 6.43% and 7.56%. US \$200m of the loan note proceeds have been swapped into £101m fixed rate sterling for the term of the notes and the interest rate on £44m swapped to floating rate linked to six month LIBOR until July 2017

On 13 May 2009 the group issued a £350m note bearing an interest rate of 7.75% and maturing in 2019 In April 2014 the fixed interest rate payable on the note was swapped to floating rate linked to six month LIBOR until May 2017

On 2 May 2012 the group issued a €600m note bearing an interest rate of 2.875% and maturing in 2017. €325m was swapped into £266m fixed rate sterling and the interest rate on €90m was swapped to a floating rate linked to six month EURIBOR.

On 6 December 2012 the group issued a €500m note bearing an interest rate of 2.625% and maturing in 2018. €350m was swapped into £287m fixed rate sterling and the interest rate on €120m was swapped to a floating rate linked to six month EURIBOR.

#### Dividend

The directors recommend a final dividend of 5.82p (DKK 0.6041) per share, an increase of 5% compared to 2013. The interim dividend was 3.42p (DKK 0.3198) per share and the total dividend, if approved, will be 9.24p (DKK 0.9239) per share, an increase of 3% compared to 2013.

The proposed dividend cover is 1.5 times (2013: 1.6 times) on adjusted earnings. The board's intention is that dividends will increase broadly in line with underlying earnings over the medium term.

#### Other information

##### Pensions

As at 31 December 2014 the defined benefit pension obligation on the balance sheet was £319m (2013: £504m) or £255m net of tax (2013: £405m) of which £264m (2013: £472m) related to material funded defined benefit schemes. At 31 December 2014 the group transferred its Netherlands secure solutions defined pension scheme into the industry wide defined benefit scheme, resulting in a net settlement gain of £21m which was recorded within specific items.

The most significant pension scheme is in the UK and accounts for 91% (2013: 95%) of the total material scheme obligation. The scheme has approximately 30,000 members and further details of the make up of the scheme are given in note 32 on page 141.

##### Defined benefit obligation – UK scheme

	2014 £m	2013 £m	Movement £m
Scheme assets	1,983	1,562	421
Obligations	(2,222)	(2,011)	(211)
Total UK obligations	(239)	(449)	210

The movement in the UK scheme was as a result of an increase of £421m in the value of scheme assets principally arising from an increase in underlying asset values, partly offset by the scheme obligations increasing by £211m. The increase in the obligation is mainly due to actuarial losses incurred in the year, resulting from discount rates decreasing to 3.7% (2013: 4.4%) partly offset by inflation rates decreasing to 3.0% (2013: 3.4%).

The group made additional pension contributions of £42m (2013: £38m) into the scheme during the year. Following the latest triennial valuation in 2012, the group agreed with the Trustees to increase next year's annual deficit recovery payment to £44m and extended the term of these payments from 2022 to 2024. The next triennial valuation is in 2015.

#### Financing and treasury activities

The group's treasury function is responsible for ensuring the availability of cost effective finance and for managing the group's financial risk arising from currency and interest rate volatility and counterparty credit. Treasury is not a profit centre and it is not permitted to speculate in financial instruments. The treasury department's policies are set by the board. Treasury is subject to the controls appropriate to the risks it manages. These risks are discussed in note 31 on pages 137 to 141.

To assist the efficient management of the group's interest costs the group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of an A-rated bank. At year end, credit balances of £300m were pooled with debit balances of £301m, resulting in a net pool debit balance of £1m. There is legal right of set off under the pooling agreement and an overdraft facility of £3m.

#### Interest rate risk and interest rate swaps

The group's investments and borrowings at 31 December 2014 were a mix of fixed rates of interest and floating rates of interest linked to LIBOR and EURIBOR.

The private placement notes in March 2007 and July 2008 and the public notes in May 2009, May 2012 and December 2012 were all issued at fixed rates whilst the group's investments and bank borrowings were all at variable rates of interest linked to LIBOR and EURIBOR.

The group's interest risk policy requires Treasury to fix a proportion of its interest exposure on a sliding scale in US dollars, sterling and Euro, using the natural mix of fixed and floating interest rates emanating from the bond and bank markets and by utilising interest rate and cross currency swaps. Part of the proceeds of the private placement and public notes have been swapped to floating interest rates and accounted for as fair value hedges, with a net gain at 31 December 2014 of £49m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross currency swaps outstanding at 31 December 2014, accounted for as cash flow hedges, was a net gain of £9m.



### Foreign currency

The group has many overseas subsidiaries and joint ventures denominated in various different currencies. Treasury policy is to manage significant translation risks in respect of net operating assets and its consolidated net debt/EBITDA ratio by holding foreign currency denominated loans, where possible. The group no longer uses foreign exchange contracts to hedge the residual portion of net assets not hedged by way of loans. The group believes cash flow should not be put at risk by these instruments in order to preserve the carrying value of net assets.

At 31 December 2014, the group's US dollar and Euro net assets were approximately 78% and 74% respectively hedged by foreign currency loans. As at 31 December 2014, net debt held in US dollar and Euro and in those currencies officially pegged to these two currencies equated broadly to a ratio of 2.3 times EBITDA generated from these currencies.

### Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate governance report on pages 56 to 69.

### Going concern

The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements as set out in the Directors' responsibility statement on page 88.

### Himanshu Raja

Chief Financial Officer

- 1 To clearly present underlying performance, specific items have been disclosed separately. Total results include specific items. For an analysis of specific items, see page 91. The group's statutory results at actual exchange rates are set out on pages 99 to 155.
- 2 2013 results are shown at constant exchange rates and have been restated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio rationalisation – see page 90 for details.
- 3 Includes £22m of outflows related to movements in customer cash balances (2013: £22m inflows), £10m of cash outflows related to transactions with non-controlling interests (2013: £2m outflows) and £9m of cash inflows from equity accounted investments (2013: £2m outflows).

## Opinions and conclusions arising from our audit

### 1 Our opinion on the financial statements is unmodified

We have audited the financial statements of G4S plc for the year ended 31 December 2014 set out on pages 99 to 164. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

### 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

#### Revenue recognition and related provisions on UK Government and other contracts

Refer to page 66 (Audit Committee Report), page 108 (accounting policy) and page 114 (financial disclosures).

**The risk** – The group delivers outsourcing services that may be governed by unique and complex contractual arrangements. There is a heightened risk that billing and revenue recognition on these contracts are not in accordance with contractual entitlements and therefore provisions may be required for refunds due. There is a further risk that the provisions for refunds are not appropriately disclosed and presented. Many of the outsourcing arrangements are contracts of more than one year, and where such contracts are forecast to be loss making, it would be necessary to recognise a provision for future losses. The identification of potential loss making contracts, and measurement of any related provision, requires significant judgement and there is a risk that provisions are not appropriately estimated.

**Our response** – In this area our audit procedures included testing the revenue billing and contract review process, on complex and significant contracts in order to critically assess risks which might lead to revenue recognition issues, and comparing the contractual terms of the relevant agreements to the accounting treatment adopted. We made inquiries with contract managers and inspected customer correspondence to identify, investigate and evaluate any areas of dispute or subjectivity within contracts and related billing. We also tested the recovery of significant overdue receivables, taking into account the ageing of receivables and comparing any provision to recovery levels post year end. We also critically assessed significant accrued (unbilled) revenue balances and tested these against the contractual entitlement and, where relevant, post year-end billing.

We evaluated the process to identify potentially loss making contracts, taking into account our knowledge of those contracts and the assessment of onerous contract provisions required, including evaluating and challenging future cash flow forecasts and performance improvement plans. We also considered the adequacy of the group's disclosures in respect of the judgments taken regarding revenue recognition, provisions arising from contracts disputes and provisions for loss making contracts.

#### Recoverable value of goodwill and other intangible assets

Refer to page 66 (Audit Committee Report), page 105 (accounting policy) and page 125 (financial disclosures).

**The risk** – The group has £2.1 billion of goodwill and other intangible assets. Although the majority of this relates to business units where the carrying value is exceeded by the calculated 'value in use' by a significant margin, in the current economic environment there is a risk of impairment related to particular business units within the Group. The estimation of the recoverable amount of cash generating units requires significant judgement in relation to the appropriate discount rates, growth rates, terminal values, forecast cash flows and where the fair value less costs to sell approach is used, the appropriate market valuation multiple.

**Our response** – In this area our audit procedures included challenging the forecast earnings and cash flows over the three year forecast period by comparison to historical results and business plans and by seeking explanations for any assumed trends and growth rates. We also challenged the discount rates and terminal values and where a fair value less costs to sell approach is used, challenged the valuation multiples employed compared to multiples achieved on disposal transactions elsewhere in the Group and by reference to other companies in the sector. We compared the Group's assumptions to externally derived data. Our valuation specialists assisted in the challenge of key input assumptions in the valuation model for the more material cash generating units and those with greatest risk of impairment of goodwill. We challenged the Group's sensitivities to help us assess whether the key assumptions and drivers considered are correctly identified. We also assessed the reasonableness of the group's aggregate recoverable amount by comparing it to the group's market capitalisation.

We have also assessed the adequacy of the group's disclosures on goodwill impairments (see note 18) and considered whether the sensitivity analysis provided properly reflects the risks inherent within the estimate of the recoverable amount of goodwill.

### Taxation exposures and provisions

Refer to page 66 (Audit Committee Report) pages 109 (accounting policy) and page 120 (financial disclosures)

The risk – The Group is required to make estimates of tax provisions in jurisdictions and/or circumstances where the application of the tax rules is complex uncertain and in some cases inconsistent

Our response – Our audit procedures included, consideration of each significant exposure on a case by case basis taking into account our understanding of the facts, any specific advice the Group has received, past experience and any relevant observations of our tax specialists. Using this information we conducted a critical assessment of the Group's judgement as to the provision required. We have also evaluated the adequacy of the group's disclosures about the tax provisions and contingencies in note 34 and the level of estimation uncertainty in the tax provisions in note 4.

### Risk of management override of internal controls

Refer to page 66 (Audit Committee Report)

The risk – The de-centralised structure of the group and the manual nature of many accounting entries means there is a higher risk of management override of financial controls. There is also a risk of management bias within judgements and estimates including those related to the other risks discussed in this report. The application of management override or biased judgements could be influenced by targets on which bonuses are paid which could be significant to the relevant individuals. This risk affects all areas of the financial statements.

Our response – In this area our audit procedures included extending the scope of our audit to include businesses where we see a risk of management bias or override of controls. We performed testing on manual journals within all in-scope businesses; performed testing on the group consolidation system, identifying and testing significant unusual transactions and assessing indications of management bias in judgements and estimates. This work was performed with assistance from our Forensic Accounting specialists.

### Presentation of the income statement

Refer to page 66 (Audit Committee Report), page 103 (accounting policy) and page 99 (financial disclosures)

The risk – In order to give better understanding of the underlying performance of the business, the directors have presented a view of the underlying results of the group, with separate disclosure of specific items. There is a risk that items included within 'restructuring costs and specific items' are not in accordance with clearly disclosed group accounting policies, or that the reversal of any items previously taken through these categories have not been correctly identified and therefore the underlying result is misstated.

Our response – In this area our audit procedures included providing detailed instructions to all in-scope audit teams on the definitions of items that can be included within these income statement categories to assist them in their assessment of specific items and restructuring costs identified in their components. We considered and challenged the work of the group finance team in reviewing with the regional and local finance teams the basis of any specific items and restructuring costs. In doing so we assessed the appropriateness, by reference to the group accounting policies, of the individual items presented within these categories and therefore excluded from underlying results' at both the local and group levels. In addition we critically assessed the accuracy and presentation of the identified specific items taking into account their group accounting policy and accounting standards. Also, we have tested management's process for identifying and tracking the current year reversal of any prior year specific items, or utilisation of or adjustment to related provisions, to identify whether these have been appropriately presented in the current year income statement.

We have also considered the adequacy of the group's disclosures about the items included within 'restructuring costs and 'specific items' in note 8 and the related accounting policies for these categories on page 103 and on page 107.

### 3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £10m, determined with reference to a benchmark of group profit before tax normalised to exclude specific items and restructuring costs (note 8), and goodwill impairment (note 18). Materiality represents 4.3% of group profit before tax adjusted for these items.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 123 reporting components, we subjected 68 to audits for group reporting purposes.

The components within the scope of our work accounted for the following percentages of the group's results

	Number of components	Group revenue	% of the total profits and losses that made up group profit before tax	Group total assets
Audit for group reporting purposes	68	90%	76%	81%

## Independent auditor's report to the members of G4S plc only *continued*

For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.05m to £6m, having regard to the mix of size and risk profile of the Group across the components. The work on 67 of the 68 components was performed by component auditors and the rest by the group audit team.

The Group audit team visited or held telephone conference meetings with 30 component locations. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

### **4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 and
- 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.

### **5 We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 88, in relation to going concern; and
- the part of the Corporate Governance Statement on page 60 in the Chairman's letter relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

### **Scope and responsibilities**

As explained more fully in the Directors' Responsibilities Statement set out on page 88, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



John Morris (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

26 March 2015

# Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
<b>Continuing operations</b>			
<b>Revenue</b>	5 6	<b>6,848</b>	<b>7 061</b>
Operating profit before joint ventures		<b>406</b>	409
Share of profit from joint ventures	20	<b>8</b>	8
<b>Operating profit before specific items and restructuring (PBITA)</b>	6	<b>414</b>	417
Specific items	8	<b>(56)</b>	(315)
Restructuring	8	<b>(29)</b>	(66)
<b>Operating profit before interest, tax and amortisation</b>	6	<b>329</b>	36
Amortisation of acquisition-related intangible assets		<b>(58)</b>	(72)
Goodwill impairment		<b>–</b>	(46)
Acquisition-related expenses		<b>(1)</b>	(4)
Profit on disposal of subsidiaries		<b>–</b>	24
<b>Operating profit/(loss)</b>	6 8	<b>270</b>	(62)
Net finance expense	12	<b>(122)</b>	(128)
<b>Profit/(loss) before tax</b>		<b>148</b>	(190)
Tax	13	<b>(42)</b>	(53)
<b>Profit/(loss) from continuing operations after tax</b>		<b>106</b>	(243)
Profit/(loss) from discontinued operations	7	<b>63</b>	(114)
<b>Profit/(loss) for the year</b>		<b>169</b>	(357)
Attributable to			
Equity holders of the parent		<b>152</b>	(365)
Non-controlling interests		<b>17</b>	8
<b>Profit/(loss) for the year</b>		<b>169</b>	(357)
<b>Earnings per share attributable to equity shareholders of the parent</b>			
	15		
From profit/(loss) from continuing operations			
Basic and diluted		<b>5 8p</b>	(17 3)p
From profit/(loss) from continuing and discontinued operations			
Basic and diluted		<b>9 8p</b>	(25 1)p

\* Restated see notes 3(a) and 3(w)

## Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
<b>Profit/(loss) for the year</b>		<b>169</b>	<b>(357)</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements relating to defined retirement benefit schemes	32	155	(60)
Tax on items that will never be reclassified to profit or loss	13	(36)	(1)
		119	(61)
<b>Items that are or may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		(4)	(109)
Change in fair value of net investment hedging financial instruments		(44)	25
Change in fair value of cash flow hedging financial instruments		6	(8)
Tax on items taken directly to equity	13	6	(4)
		(36)	(96)
<b>Other comprehensive income/(loss), net of tax</b>		<b>83</b>	<b>(157)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>252</b>	<b>(514)</b>
Attributable to			
Equity holders of the parent		236	(521)
Non-controlling interests		16	7
<b>Total comprehensive income/(loss) for the year</b>		<b>252</b>	<b>(514)</b>

## Consolidated statement of changes in equity

For the year ended 31 December 2014

	Attributable to equity holders of the parent				Total £m	NCI reserve £m	Total reserves £m
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves* £m			
At 1 January 2014	388	258	(418)	636	864	20	884
Total comprehensive income	–	–	272	(36)	236	16	252
Dividends declared	–	–	(138)	–	(138)	(11)	(149)
Transfer to retained earnings	–	–	308	(308)	–	–	–
Recycling of translation reserves on disposal	–	–	–	(13)	(13)	–	(13)
Transactions with non-controlling interests	–	–	(6)	–	(6)	(3)	(9)
Equity-settled transactions	–	–	5	–	5	–	5
<b>At 31 December 2014</b>	<b>388</b>	<b>258</b>	<b>23</b>	<b>279</b>	<b>948</b>	<b>22</b>	<b>970</b>
At 1 January 2013 – restated	353	258	143	422	1,176	32	1,208
Total comprehensive (loss)/income	–	–	(425)	(96)	(521)	7	(514)
Shares issued	35	–	–	308	343	–	343
Dividends declared	–	–	(130)	–	(130)	(21)	(151)
Own shares awarded	–	–	(2)	2	–	–	–
Transactions with non-controlling interests	–	–	(4)	–	(4)	2	(2)
<b>At 31 December 2013 – restated</b>	<b>388</b>	<b>258</b>	<b>(418)</b>	<b>636</b>	<b>864</b>	<b>20</b>	<b>884</b>

\* See note 36


# Consolidated statement of financial position

For the year ended 31 December 2014

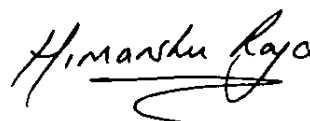
	Notes	2014 £m	2013 Restated £m	2012 Restated £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	18	1,939	1,955	2,096
Other acquisition-related intangible assets	18	83	141	204
Other intangible assets	18	82	77	87
Property, plant and equipment	19	450	484	506
Investment in joint ventures	20	41	34	30
Trade and other receivables	23	97	104	118
Deferred tax assets	34	176	184	179
		<b>2,868</b>	<b>2,979</b>	<b>3,220</b>
<b>Current assets</b>				
Inventories	21	108	112	124
Investments	22	60	39	52
Trade and other receivables	23	1,371	1,380	1,500
Cash and cash equivalents	26	409	532	419
Assets classified as held for sale	25	6	220	229
		<b>1,954</b>	<b>2,283</b>	<b>2,324</b>
<b>Total assets</b>	<b>6</b>	<b>4,822</b>	<b>5,262</b>	<b>5,544</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdrafts	26 27	(18)	(9)	–
Bank loans	27	(60)	(27)	(13)
Loan notes	27	(96)	(61)	(40)
Obligations under finance leases	28	(14)	(21)	(18)
Trade and other payables	29	(1,103)	(1,166)	(1,184)
Current tax liabilities		(69)	(48)	(38)
Provisions	33	(90)	(195)	(27)
Liabilities classified as held for sale	25	(4)	(133)	(52)
		<b>(1,454)</b>	<b>(1,660)</b>	<b>(1,372)</b>
<b>Non-current liabilities</b>				
Bank loans	27	(105)	(140)	(324)
Loan notes	27	(1,803)	(1,921)	(1,999)
Obligations under finance leases	28	(26)	(31)	(43)
Trade and other payables	29	(23)	(13)	(18)
Retirement benefit obligations	32	(319)	(504)	(471)
Provisions	33	(105)	(64)	(45)
Deferred tax liabilities	34	(17)	(45)	(64)
		<b>(2,398)</b>	<b>(2,718)</b>	<b>(2,964)</b>
<b>Total liabilities</b>	<b>6</b>	<b>(3,852)</b>	<b>(4,378)</b>	<b>(4,336)</b>
<b>Net assets</b>		<b>970</b>	<b>884</b>	<b>1,208</b>
<b>EQUITY</b>				
Share capital	35	388	388	353
Share premium and reserves	36	560	476	823
Equity attributable to equity holders of the parent		<b>948</b>	<b>864</b>	<b>1,176</b>
Non-controlling interests		22	20	32
<b>Total equity</b>		<b>970</b>	<b>884</b>	<b>1,208</b>

The consolidated financial statements were approved by the board of directors and authorised for issue on 26 March 2015. They were signed on its behalf by:

Ashley Almanza  
Director



Himanshu Raja  
Director



# Consolidated statement of cash flow

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
<b>Profit/(loss) retained for the year</b>		<b>152</b>	<b>(365)</b>
Adjustments for non-cash and other items			
Non-controlling interest		17	8
Pension settlement gain	32	(21)	–
(Profit)/loss from discontinued operations	7	(63)	114
Tax charge	13	42	53
Net finance expense	12	122	128
Depreciation of property plant and equipment		108	114
Amortisation of acquisition-related intangible assets		59	76
Amortisation of other intangible assets		25	24
Impairment of other assets		4	24
Goodwill impairment	18	–	46
Equity-settled transactions		5	–
Share of profit from joint ventures	20	(8)	(8)
Profit on disposal of assets and subsidiaries		(3)	(24)
(Decrease)/increase in provisions		(68)	187
Additional pension contributions	32	(42)	(38)
<b>Operating cash flow before movements in working capital</b>		<b>329</b>	<b>339</b>
(Increase)/decrease in inventories		(2)	6
Decrease in receivables		10	40
Increase in payables		11	39
<b>Net cash flow from operating activities of continuing operations</b>		<b>348</b>	<b>424</b>
<b>Net cash flow from operating activities of discontinued operations</b>		<b>(12)</b>	<b>31</b>
<b>Cash generated by operating activities</b>		<b>336</b>	<b>455</b>
Tax paid		(81)	(83)
<b>Net cash flow from operating activities</b>		<b>255</b>	<b>372</b>
<b>Investing activities</b>			
Interest received		12	21
Cash flow from equity accounted investments		9	(2)
Purchases of non-current assets		(138)	(178)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		16	11
Acquisition of subsidiaries		(3)	(23)
Net cash and overdraft balances acquired		–	(6)
Disposal of subsidiaries		159	35
Cash, cash equivalents and bank overdrafts in disposed entities		(12)	(2)
(Purchase)/sale of investments		(17)	13
<b>Net cash generated by/(used in) investing activities</b>		<b>26</b>	<b>(131)</b>
<b>Financing activities</b>			
Share issues	35	–	343
Dividends paid to equity shareholders of the parent		(138)	(130)
Dividends paid to non-controlling interests		(11)	(21)
Other net movement in borrowings		(91)	(188)
Movement in customer cash balances		(22)	22
Transactions with non-controlling interests		(10)	(2)
Interest paid		(126)	(129)
Repayment of obligations under finance leases		(19)	(9)
<b>Net cash flow from financing activities</b>		<b>(417)</b>	<b>(114)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	37	<b>(136)</b>	<b>127</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		538	439
Effect of foreign exchange rate fluctuations on cash held		(11)	(28)
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	26	<b>391</b>	<b>538</b>



## Notes to the consolidated financial statements

### 1 General information

G4S plc is a company incorporated in the United Kingdom. The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising the group) and the group's interest in associates and jointly controlled entities made up to 31 December each year. The group operates throughout the world and in a wide range of functional currencies, the most significant being sterling, the US dollar and Euro. The group's financial statements are presented in sterling, as the group's primary listing is in the UK. The address of the registered office is given on page 177.

### 2 Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (adopted IFRSs). The company has elected to prepare its parent company's financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 156 to 164.

### 3 Significant accounting policies

#### (a) Basis of preparation

The consolidated financial statements of the group have been prepared under the going concern basis and using the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted are set out below. 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, are discussed in note 4.

The directors considered the group's strategy, liquidity and financial position and reviewed the budget for the next 12 months and the medium-term strategic plan. As part of this review, various stress test scenarios to assess the adequacy of resources available to the group were considered, including the newly refinanced £1bn revolving credit facility which is largely undrawn but committed and the headroom available within the group's financial covenants.

The directors also considered the risks facing the business and whilst certain risks such as underperformance on major contracts could impact profitability they do not present a material risk to the group.

On completion of the review the directors were satisfied that the group had access to sufficient resources to allow it to execute its strategy and continue to operate for the foreseeable future.

The comparative income statement for the year ended 31 December 2013 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £145m and loss before tax has increased by £3m compared to the figures published previously. Further details of discontinued operations are presented within note 7.

#### (b) Presentation of the income statement

The group's income statement and segmental analysis note separately identify results before specific items. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the underlying results of the group. The directors believe that presentation of the group's results in this way aids the understanding of the group's financial performance. Specific items are identified by virtue of their size, nature or incidence. Any associated reversal will also flow through specific items such that the underlying results reflect the ongoing recurring results of the business.

#### (c) Specific items

Specific items are those that in management's judgement should be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Specific items include items relating to acquisitions and disposals including amortisation and impairment of acquisition-related intangible assets, results relating to discontinued operations, certain restructuring costs, impairments, onerous contract provisions and other one-off items such as the review of the carrying value of assets and liabilities performed in 2013.

Specific items may not be comparable to similarly titled measures used by other companies. Specific items for the current and prior year are disclosed in note 8.

### 3 Significant accounting policies (continued)

#### (d) Basis of consolidation

During the year the group has adopted the new consolidation standards IFRS 10 'Consolidated Financial Statements' IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'. The following accounting policies reflect these new standards, and the impact of adopting these standards on the group's financial results and position is given in more detail in note 3(w) on page 110.

#### Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group has existing rights that give it the current ability to direct the activities that affect the group's returns and exposure or rights to variable returns from the entity. This can be determined either by the group's ownership percentage or by the terms of any shareholder agreement. In the case of certain investments, detailed analysis of the different contracts in place is required, together with a level of judgement, to ascertain whether there is control under the definition of IFRS 10 'Consolidated financial statements' (see note 4).

On acquisition, the assets and liabilities and contingent liabilities of the acquired business are measured at their fair values at the date of acquisition. The cost of acquisition is measured as the acquisition date fair value of the assets transferred as consideration to the vendor and does not include transaction costs. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the year of acquisition.

The cost of acquisition includes the present value of deferred and contingent consideration payable, including that in respect of put options held by non-controlling shareholders, as estimated at the date of acquisition. For acquisitions prior to 1 January 2010 subsequent changes to the present value of the estimate of contingent consideration and any difference upon final settlement of such a liability are recognised as adjustments to the cost of acquisition. For acquisitions after 1 January 2010 such changes are recognised in the income statement with respect to contingent consideration and in other comprehensive income with respect to put options. Non-controlling interests are stated at their proportion of the fair values of the assets and liabilities recognised. Profits and losses are applied in the proportion of their respective ownership to the interest of the parent and to the non-controlling interest.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of control or up to the effective date of disposal, as appropriate.

#### Joint arrangements

A joint arrangement is a contractual arrangement which grants the group and other parties joint control over a shared undertaking. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

#### Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

#### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are incorporated in the group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the joint venture, less any impairment in the value of the investment. The group's share of post-tax profits or losses is recognised in the consolidated income statement.

#### Associates

An associate is an entity over which the group is in a position to exercise significant influence but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the group's consolidated financial statements using the equity method of accounting. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

#### Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a group company transacts with a joint venture or associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant joint venture or associate.

**(e) Foreign currencies**

The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. 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 for the period.

On consolidation, the assets and liabilities of the group's overseas operations including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expenses are translated into sterling at the average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Exchange differences arising are recognised in other comprehensive income together with exchange differences arising on monetary items that are in substance a part of the group's net investment in foreign operations and on borrowings and other currency instruments designated as hedges of such investments where and to the extent that the hedges are deemed to be effective. On disposal, translation differences are recognised in the income statement in the period in which the operation is disposed of.

**(f) Derivative financial instruments and hedge accounting**

In accordance with its treasury policy the group only holds or issues derivative financial instruments to manage the group's exposure to financial risk, not for trading purposes. Such financial risk includes the interest risk on the group's variable-rate borrowings, the fair value risk on the group's fixed-rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the consolidated 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 derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below.

*Fair value hedge*

The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the income statement.

*Cash flow and net investment 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 or hedged net investment impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

**(g) Intangible assets***Goodwill*

All business combinations are accounted for by the application of the acquisition method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. No goodwill arises on the acquisition of an additional interest from a non-controlling interest in a subsidiary as this is accounted for as an equity transaction. Goodwill is stated at cost, less any accumulated impairment losses and is tested annually for impairment or more frequently if there are indications that amounts may be impaired. On disposal of a subsidiary, associate or joint arrangement, 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 economic life. 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:

Trademarks and technology	up to a maximum of five years
Customer contracts and customer relationships	up to a maximum of ten years

### 3 Significant accounting policies (continued)

#### (g) Intangible assets (continued)

##### *Other intangible assets*

Development expenditure represents expenditure incurred in establishing new services and products of the group. Such expenditure is recognised as an intangible asset only if the following can be demonstrated: the expenditure creates an identifiable asset, its cost can be measured reliably, it is probable that it will generate future economic benefits, it is technically and commercially feasible and the group has sufficient resources to complete development. In all other instances, the cost of such expenditure is taken directly to the income statement.

Capitalised development expenditure is amortised over the period during which the expenditure is expected to be revenue-producing, up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and where appropriate provide for any impairment in value.

Research expenditure is written off in the year in which it is incurred.

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 economic lives up to a maximum of eight years.

#### (h) 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:

Freehold and long leasehold buildings	up to 50 years
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	2 to 10 years

Assets held under finance leases are depreciated over the shorter of the expected useful economic life and the term of the relevant lease.

Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually.

#### (i) Financial instruments

Financial assets and financial liabilities are recognised when the group 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 group provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.

##### *Service concession assets*

Under the terms of a Private Finance Initiative (PFI) or similar project, the control of the asset remains largely with the purchaser of the associated services. In such cases, the group's interest in the asset is classified as a financial asset and included at its discounted value within trade and other receivables, to the extent to which the group has an unconditional right to receive cash from the grantor of the concession for the construction of the asset. To the extent that the group has the right to charge for the use of such an asset conditional upon the extent of the use, the group recognises an intangible asset.

##### *Current asset investments*

Current asset investments comprise investments in securities which are classified as held-for-trading. They are initially recognised at fair value, including transaction costs. Gains and losses arising from changes in fair value are recognised in the income statement.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and that form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

##### *Interest-bearing borrowings*

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

##### *Trade payables*

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

##### *Equity instruments*

Equity instruments issued by the group are recorded at the value of proceeds received net of direct issue costs.

**(j) Inventories**

Inventories are valued at the lower of cost and net realisable value. 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 using either the weighted average or the first-in-first-out method. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

**(k) Impairment**

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

An impairment loss 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.

**(l) Employee benefits***Retirement benefit costs*

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

For defined benefit plans, the cost charged to the income statement consists of current service cost, net interest cost and past service cost. The finance element of the pension charge is shown in finance expense and the remaining service cost element is charged as a component of employee costs in the income statement. Actuarial gains and losses and other remeasurement gains and losses are recognised immediately in full through the statement of comprehensive income.

*Share-based payments*

The group issues equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period based on the group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

**(m) 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 group's best estimate of the cost of settlement at the end of the reporting period.

In respect of claims and litigation, the group 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 exercises judgement in measuring the exposures to contingent liabilities (see note 33) 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.

**(n) Restructuring provision**

A restructuring provision is recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

The group distinguishes between restructuring costs that are recurring and those restructuring costs that relate to one-off or transformational group programmes that impact a number of operations.

Restructuring costs that are incurred in the normal course of business are recorded as part of the group's trading results.

Restructuring costs that are individually material or relate to programmes linked to the group's wider transformation and require approval at executive level are presented within specific items and disclosed separately in the consolidated income statement.

### 3 Significant accounting policies (continued)

#### (o) Revenue recognition

##### *Revenue*

Revenue represents amounts receivable for goods and 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 for manned security and cash solutions products and for recurring services in security systems products is recognised to reflect the period in which the service is provided. Revenue on security systems installations is recognised either on completion in respect of product sales, or in accordance with the stage of completion method in respect of construction contracts.

##### *Construction contracts*

Where significant, security system installations with a contract duration in excess of one month are accounted for as construction contracts. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured either by the proportion that contract costs incurred for work to date bear to the estimated total contract costs, or by the proportion that the sales value of work completed to date bears to the total sales value. Variations in contract work, claims and incentive payments are included to the extent that it is likely that they will be agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are deemed likely to be recoverable. Contract costs are recognised as expenses as they are incurred. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the income statement.

Construction contracts are recognised in the consolidated statement of financial position at cost plus profit recognised to date, less provision for foreseeable losses and less progress billings. Balances are not offset.

#### (p) Pre-contract 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) 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.

#### (q) Onerous contracts

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. Management plans to recover the position on loss-making contracts require a level of judgement and are only taken into account in the calculation of the onerous contract provision 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.

Provisions for future losses are charged to the income statement, where onerous contract provisions are material by virtue of their size, incidence or nature they are separately disclosed as specific items. In-year losses from onerous contracts will continue to be reported in underlying earnings as they are incurred with provisions for future losses on onerous contracts being unwound against these losses in underlying earnings.

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.

#### (r) Interest

Interest 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. Borrowing costs are recognised as an expense in the income statement.

**(s) Income taxes**

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

**(t) 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 consolidated 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.

**(u) Non-current assets held for sale and discontinued operations**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

**(v) Dividend 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.

### 3 Significant accounting policies (continued)

#### (w) Adoption of new and revised accounting standards and interpretations

In the year ended 31 December 2014, the group adopted the following new standards and amendments

- IFRS 10 (2011) 'Consolidated Financial Statements', which replaces parts of IAS 27 'Consolidated and Separate Financial Statements' and all of SIC-12 'Consolidation – Special Purpose Entities', introduced a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. This differs from the previous approach where one of the main criteria used to consolidate was to have the power to govern the financial and operating policies of the entity. As a result of the adoption of IFRS 10 the group has reclassified certain businesses within the Asia & Middle East region as joint ventures where previously they were classified as subsidiaries. As a result of applying IFRS 11 'Joint Arrangements', the group now accounts for these businesses using the equity method.
- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-monetary Contributions by Vendors' and removes the option to account for jointly controlled entities using the proportionate consolidation method. Instead all jointly controlled entities are accounted for using the equity method of accounting, similar to that used to account for associates under the previous standards. As the group previously applied the proportionate method of accounting to its jointly controlled entities this has impacted the group's consolidated income statement and consolidated statement of financial position.
- IFRS 12 'Disclosure of Interests in Other Entities' is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities within the scope of IFRS 10 (2011) and IFRS 11. As a result of adopting this standard the group has re-assessed the criteria used to determine material joint ventures. The new criteria are based on the contribution of revenue, operating profit and net assets that the joint ventures make to the group's results. Under these new measures the group has determined that none of its joint ventures are individually material for the purposes of disclosure in accordance with IFRS 12.
- The group also adopted IAS 27 (revised) 'Separate Financial Statements' and IAS 28 'Associates and Joint Ventures'. The adoption of these standards did not have a material impact on the financial statements.

The group has presented a restated income statement for the year ended 31 December 2013, restated statements of financial position at 31 December 2013 and 31 December 2012, and a restated cash flow statement for the year ended 31 December 2013. The following pages contain reconciliations between the restated amounts and those previously published.

The adoption of IFRS 10 has resulted in certain businesses in the Asia Middle East region being re-classified as joint ventures rather than subsidiaries. These businesses were previously consolidated into each of the relevant line items in the group's income statement, statement of cash flows and statement of financial position at 100% of their reported results with an appropriate adjustment made to reflect the non-controlling interests' share. As a result of being classified as joint ventures they fall into the scope of IFRS 11 and are now reported using the equity method. Under the equity method the group's share of the entities' post-tax results are shown in the income statement under 'share of profit from joint ventures' and the group's net investment is shown in the statement of financial position under 'investment in joint ventures', with no adjustment required for non-controlling interests.

In addition the group previously applied the proportionate method of consolidation to its existing joint ventures. Under the proportionate method of consolidation the group consolidated its share of each relevant line item in the group's income statement, statement of cash flows and statement of financial position. As a result of adopting IFRS 11 the results of these joint ventures are now also consolidated using the equity method as described above.

The income statement reconciliation for the year ended 31 December 2013 separately presents restatements for discontinued operations. The restated opening balance sheet as at 31 December 2012 for the year ended 31 December 2013 has also been presented.

	As published £m	Restatements for IFRS 10 & IFRS 11 £m	Revised £m	Entities reclassified as discontinued £m	Restated £m
<b>Consolidated income statement for the year ended 31 December 2013</b>					
Revenue from continuing operations	7,428	(222)	7,206	(145)	7,061
Operating profit before specific items and restructuring	442	(21)	421	(4)	417
Loss before tax	(170)	(17)	(187)	(3)	(190)
Loss from continuing operations after tax	(226)	(15)	(241)	(2)	(243)
<b>Loss for the year</b>	<b>(342)</b>	<b>(15)</b>	<b>(357)</b>	<b>–</b>	<b>(357)</b>
<b>Profit attributable to non-controlling interests</b>	<b>20</b>	<b>(12)*</b>	<b>8</b>	<b>–</b>	<b>8</b>

\* This adjustment includes a £3m reclassification to the NCI result for the year ended 31 December 2013.



Consolidated statement of financial position for the year ended 31 December 2013	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
<b>ASSETS</b>			
Goodwill	1,966	(11)	1,955
Investment in joint ventures	–	34	34
Other non-current assets	1,022	(32)	990
Trade and other receivables	1,394	(14)	1,380
Cash and cash equivalents	594	(62)	532
Other current assets	376	(5)	371
	5,352	(90)	5,262
<b>LIABILITIES</b>			
Bank overdrafts	(22)	13	(9)
Trade and other payables	(1,220)	6	(1,214)
Other current liabilities	(442)	5	(437)
Bank loans	(169)	29	(140)
Non-current liabilities	(2,580)	2	(2,578)
	(4,433)	55	(4,378)
<b>Net assets</b>	919	(35)	884
<b>EQUITY</b>			
Share capital	388	–	388
Share premium and reserves	479	(3)	476
Equity attributable to equity holders of the parent	867	(3)	864
Non-controlling interests	52	(32)*	20
<b>Total equity</b>	919	(35)	884

\* This adjustment includes a £3m reclassification to reserves as at 31 December 2013

Consolidated statement of cash flow for the year ended 31 December 2013	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
Net cash flow from operating activities	400	(28)	372
Net cash used in investing activities	(163)	32	(131)
Net cash flow from financing activities	(95)	(19)	(114)
Net movement in cash, cash equivalents and bank overdrafts	142	(15)	127
Cash, cash equivalents and bank overdrafts at the beginning of the year	472	(33)	439
Effect of foreign exchange rate fluctuations on cash held	(27)	(1)	(28)
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>587</b>	<b>(49)</b>	<b>538</b>

**3 Significant accounting policies (continued)****(w) Adoption of new and revised accounting standards and interpretations (continued)**

Consolidated statement of financial position for the year ended 31 December 2012	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
<b>ASSETS</b>			
Goodwill	2,108	(12)	2,096
Investment in joint ventures	–	30	30
Other non-current assets	1,114	(20)	1,094
Trade and other receivables	1,506	(6)	1,500
Cash and cash equivalents	469	(50)	419
Other current assets	413	(8)	405
	5,610	(66)	5,544
<b>LIABILITIES</b>			
Bank overdrafts	(17)	17	–
Trade and other payables	(1,234)	12	(1,222)
Other current liabilities	(157)	7	(150)
Non-current liabilities	(2,971)	7	(2,964)
	(4,379)	43	(4,336)
<b>Net assets</b>	1,231	(23)	1,208
<b>EQUITY</b>			
Share capital	353	–	353
Share premium and reserves	823	–	823
Equity attributable to equity holders of the parent	1,176	–	1,176
Non-controlling interests	55	(23)	32
<b>Total equity</b>	1,231	(23)	1,208

The group has not adopted early any standard, amendment or interpretation. A number of new standards, amendments to standards and interpretations have been announced but are not yet effective for the year ended 31 December 2014. Those that are expected to have an impact on the group accounts are detailed below:

- IFRS 9 'Financial Instruments' is effective for the year ended 31 December 2018 and removes the multiple classification and measurement models for financial assets required by IAS 39 and replaces it with a model with only two classification categories: amortised cost and fair value. The business model for managing the financial assets and the contractual cash flow characteristics of those assets drives the classification. There have been no significant changes to the accounting and presentation for financial liabilities and for derecognising financial instruments. The group is currently assessing the impact this standard would have on its consolidated results and financial position.
- IFRS 15 'Revenue from Contracts with Customers' is effective for the year ended 31 December 2017 and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following revisions, amendments and improvements are not yet effective and are not expected to have a material impact on the results of the group when they are adopted:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- IFRS 14 Regulatory Deferral Accounts
- Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle

#### 4 Accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of the group's accounting policies, which are described in note 3, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These 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 group's 2014 accounts are detailed below.

##### Revenue recognition and contract review

The group 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 within 'contract provisions' (see note 33). Estimates and judgements are therefore required to determine the appropriate level of provisioning applied to these contracts.

##### Carrying value of goodwill

The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The impairment analysis for such assets is based principally upon discounted estimated future cash flows from the use and eventual disposal of the assets. Such an analysis includes the estimation of future results, cash flows, annual growth rates and discount rates. Judgement is required in relation to the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. In certain circumstances, where market prices can be ascertained (for example, through recent transactions), fair value less costs to sell is used as a basis for the recoverable amount. This involves judgements and estimates to apply reasonable valuations techniques and to estimate future selling costs. The full methodology and results of the group's impairment testing is presented in note 18.

##### Taxation

The group operates in many tax jurisdictions including countries where the tax legislation is not consistently applied and under some complex contractual circumstances where the responsibility for tax arising is not always clear. Management are required to apply judgements and estimates to determine the appropriate amount of tax to provide for and any required disclosure around contingent tax liabilities at each period end.

##### Review of the carrying value of assets and liabilities

In 2013 the group carried out a review of the carrying value of its assets and liabilities as at 31 December 2012, taking into account any changes in facts or circumstances since that date. The purpose of this review was to ensure that the financial statements were presented in a more balanced way. This exercise required a level of judgement and in many cases taking a more balanced judgement based on the group's current understanding of circumstances surrounding each issue. The results of the review were presented within 'specific items' given the one-off nature of the review performed and are disclosed in note 8. As at 31 December 2014 these estimates and judgements have been updated to reflect any changes in facts or circumstances during the year to 31 December 2014 with any additional charges or reversals also being presented within specific items.

##### Compliance with foreign ownership rules and consolidation of subsidiaries

The group has a diverse set of complex ownership structures, which are sometimes driven by local laws and regulations relating to foreign ownership. In some instances the group operates through local structures with limited direct share ownership of the business, but exercises control through shareholder agreements. In determining whether some group entities qualify for consolidation under IFRS10 'Consolidated Financial Statements', professional and legal advice is sought and a level of judgement is required. Consolidation of any of these entities would be at risk if the group's ability to enforce its rights of control were successfully challenged.

##### Valuation of retirement benefit obligations

The valuation of defined retirement benefit schemes is arrived at using the advice of qualified independent actuaries who use the projected unit credit method for determining the group's obligations. This methodology requires the use of a variety of assumptions and estimates including the appropriate discount rate, the expected return on scheme assets, mortality assumptions, future service and earnings increases of employees and inflation. Full details of the group's retirement benefit obligations including an analysis of the sensitivity of the calculations to the key assumptions are presented in note 32.

## Notes to the consolidated financial statements *continued*

### 5 Revenue

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

	Notes	2014 £m	2013 Restated £m
<b>Continuing operations</b>			
Sale of goods		188	159
Rendering of services		6,495	6,721
Revenue from construction contracts		165	181
Revenue from continuing operations as presented in the consolidated income statement	6	6,848	7,061
<b>Discontinued operations</b>			
Sale of goods		~	1
Rendering of services		391	742
Revenue from construction contracts		—	23
Revenue from discontinued operations	6-7	391	766
<b>Other operating income</b>			
Interest income	12	11	13
Total other operating income		11	13
<b>Total revenue as defined by IAS 18</b>		<b>7,250</b>	<b>7,840</b>

### 6 Operating segments

The group operates on a worldwide basis and derives a substantial proportion of its revenue and operating profit from each of the following six geographic regions: Africa, Asia Middle East, Latin America, Europe, North America and UK & Ireland. For each of these reportable segments, the group executive committee (the chief operating decision maker) reviews internal management reports on a regular basis.

Segment information is presented below:

Revenue by reportable segment and geographical area	Continuing operations 2014 £m	Discontinued operations 2014 £m	Total 2014 £m	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
Africa	485	3	488	496	8	504
Asia Middle East	1,327	—	1,327	1,372	1	1,373
Latin America	663	22	685	693	24	717
Europe	1,421	100	1,521	1,526	285	1,811
North America	1,365	266	1,631	1,359	448	1,807
UK & Ireland	1,587	—	1,587	1,615	—	1,615
<b>Total revenue</b>	<b>6,848</b>	<b>391</b>	<b>7,239</b>	<b>7,061</b>	<b>766</b>	<b>7,827</b>

Revenue from internal and external customers by reportable segment	Total gross segment revenue 2014 £m	Inter-segment revenue 2014 £m	External revenue 2014 £m	Total gross segment revenue 2013 Restated £m	Inter-segment revenue 2013 Restated £m	External revenue 2013 Restated £m
Secure Solutions	6,132	(9)	6,123	6,531	(8)	6,523
Cash Solutions	1,118	(2)	1,116	1,306	(2)	1,304
<b>Total revenue</b>	<b>7,250</b>	<b>(11)</b>	<b>7,239</b>	<b>7,837</b>	<b>(10)</b>	<b>7,827</b>

Inter-segment sales are charged at prevailing market prices. Refer to note 7 for details on discontinued operations.

	Continuing operations 2014 £m	Discontinued operations 2014 £m	Total 2014 £m	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
<b>Operating profit by reportable segment and geographical area</b>						
Africa	46	(1)	45	40	(5)	35
Asia Middle East	101	–	101	108	–	108
Latin America	38	–	38	44	–	44
Europe	84	–	84	88	(3)	85
North America	75	(3)	72	59	18	77
UK & Ireland	130	–	130	119	–	119
<b>Operating profit/(loss) before corporate costs</b>	<b>474</b>	<b>(4)</b>	<b>470</b>	<b>458</b>	<b>10</b>	<b>468</b>
Corporate costs	(60)	–	(60)	(41)	–	(41)
<b>Operating profit/(loss) before specific items and restructuring</b>	<b>414</b>	<b>(4)</b>	<b>410</b>	<b>417</b>	<b>10</b>	<b>427</b>
Specific items	(56)	(3)	(59)	(315)	(23)	(338)
Restructuring	(29)	–	(29)	(66)	(4)	(70)
<b>Operating profit/(loss) before interest, tax and amortisation</b>	<b>329</b>	<b>(7)</b>	<b>322</b>	<b>36</b>	<b>(17)</b>	<b>19</b>
Amortisation of acquisition-related intangible assets	(58)	(1)	(59)	(72)	(4)	(76)
Goodwill impairment	–	–	–	(46)	(80)	(126)
Acquisition-related expenses	(1)	–	(1)	(4)	–	(4)
Profit/(loss) on disposal of subsidiaries	–	71	71	24	(3)	21
<b>Operating profit/(loss)</b>	<b>270</b>	<b>63</b>	<b>333</b>	<b>(62)</b>	<b>(104)</b>	<b>(166)</b>

Refer to note 7 for details on discontinued operations

#### Segment assets and liabilities

The following information is analysed by reportable segment and by the geographical area in which the assets are located

	Total assets 2014 £m	Total assets 2013 Restated £m	Total liabilities 2014 £m	Total liabilities 2013 Restated £m
<b>Total assets and liabilities by reportable segment and geographical area</b>				
Africa	227	240	(79)	(78)
Asia Middle East	676	702	(248)	(239)
Latin America	352	348	(119)	(105)
Europe	720	851	(256)	(357)
North America	768	826	(165)	(186)
UK & Ireland	1,285	1,390	(343)	(489)
Inter-segment trading balances	(188)	(192)	188	192
<b>Total segment assets and liabilities</b>	<b>3,840</b>	<b>4,165</b>	<b>(1,022)</b>	<b>(1,262)</b>
Corporate	169	116	(152)	(90)
<b>Total operating assets and liabilities</b>	<b>4,009</b>	<b>4,281</b>	<b>(1,174)</b>	<b>(1,352)</b>
Non-operating assets and liabilities	813	981	(2,678)	(3,026)
<b>Total assets and liabilities</b>	<b>4,822</b>	<b>5,262</b>	<b>(3,852)</b>	<b>(4,378)</b>

**6 Operating segments (continued)**

Non-current operating assets by reportable segment and geographical area	2014 £m	2013 Restated £m
Africa	123	133
Asia Middle East	359	383
Latin America	208	226
Europe	452	514
North America	479	516
UK & Ireland	964	1,019
Total segment assets	2,585	2,791
Corporate	68	45
Total non-current operating assets	2,653	2,836
Non-operating assets	217	245
Less Non-current assets held for sale	(2)	(102)
Total non-current assets	2,868	2,979

Non-operating assets and liabilities comprise financial assets and liabilities, taxation assets and liabilities and retirement benefit obligations

Included within operating and non-operating assets are £6m (2013 £179m) and £nil (2013 £41m) respectively relating to disposal groups classified as held for sale. Included within operating and non-operating liabilities are £3m (2013 £93m) and £1m (2013 £40m) respectively relating to liabilities associated with disposal groups classified as held for sale. Disposal groups are analysed in note 25

**Other information**

By reportable segment	Impairment losses recognised in income 2014 £m	Depreciation and amortisation 2014 £m	Capital additions 2014 £m	Impairment losses recognised in income 2013 Restated £m	Depreciation and amortisation 2013 Restated £m	Capital additions 2013 Restated £m
Africa	—	13	12	12	15	27
Asia Middle East	—	28	30	5	33	40
Latin America	—	18	12	—	21	14
Europe	—	39	37	14	41	47
North America	—	19	16	105	29	11
UK & Ireland	4	75	36	7	84	65
Head office	—	3	2	7	2	3
Total	4	195	145	150	225	207

## 7 Discontinued operations

Operations qualifying as discontinued in 2014 mainly comprised the US Government Solutions business, sold in November 2014, the group's cash business in Canada, sold in January 2014, the group's business in Norway, also sold in January 2014, the group's business in Sweden, sold in September 2014 and the group's business in Costa Rica.

The US Government Solutions business, the cash business in Canada and the business in Norway were also classified as discontinued as at 31 December 2013.

The results of the discontinued operations are presented below.

	Note	2014 £m	2013 Restated £m
Revenue		391	766
<b>Operating (loss)/profit before specific items</b>		<b>(4)</b>	<b>10</b>
Specific items		(3)	(23)
Restructuring costs		–	(4)
Acquisition-related amortisation and expenses		(1)	(4)
Goodwill impairment		–	(80)
Profit/(loss) on disposal of discontinued operations	17	71	(3)
<b>Operating profit/(loss)</b>		<b>63</b>	<b>(104)</b>
Finance income		–	1
Finance costs		–	(2)
<b>Profit/(loss) before tax</b>		<b>63</b>	<b>(105)</b>
Tax		–	(9)
<b>Operating profit/(loss) for the year</b>		<b>63</b>	<b>(114)</b>

The effect of discontinued operations on segment results is disclosed in note 6.

The impairment of goodwill and other assets in 2013 relates to the US Government Solutions business and reduced the carrying value of its net assets down to their estimated recoverable amount.

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows.

	2014 £m	2013 Restated £m
Net cash flows from operating activities (after tax)	(12)	31
Net cash flows from investing activities	152	(18)
Net cash flows from financing activities	(17)	19
	123	32

## Notes to the consolidated financial statements *continued*

### 8. Operating profit

The income statement can be analysed as follows

	2014 £m	2013 Restated £m
<b>Continuing operations</b>		
Revenue	6,848	7,061
Cost of sales	(5,546)	(5,779)
Gross profit	1,302	1,282
Administration expenses	(1,040)	(1,352)
Share of profit from joint ventures	8	8
<b>Operating profit/(loss)</b>	<b>270</b>	<b>(62)</b>

Total specific items charged in the year were £56m (2013 £315m) and restructuring costs of £29m (2013 £66m)

#### Cost of sales

Specific items included within cost of sales relate to the increase in provisions for legacy UK government contracts of £45m (2013 £27m) and other items of £5m (2013 £98m)

#### Administration expenses

Specific items relate to the re-measurement of the review of assets and liabilities of £27m (2013 £81m) offset by a pension settlement gain of £21m (2013 £nil) in the Netherlands

Restructuring costs were £29m (2013 £66m) relating to the re-organisation of the UK & Ireland business and programmes in Europe to accelerate best practice and identify back office synergies

Also included in administration expenses are amortisation costs of £58m (2013 £72m) and acquisition-related expenses of £1m (2013 £4m)

In 2013 administration expenses also included a charge of £109m relating to the settlement on the UK Electronic Monitoring contract and two smaller contracts, a charge of £46m relating to goodwill impairment and were net of a £24m profit relating to the disposal of the groups secure data archiving business in Colombia

### 9 Profit from operations

Profit from continuing and discontinued operations has been arrived at after charging/(crediting)

	Notes	Continuing 2014 £m	Discontinued 2014 £m	Total 2014 £m	Continuing 2013 Restated £m	Discontinued 2013 Restated £m	Total 2013 Restated £m
<b>Cost of sales</b>							
Cost of inventories recognised as an expense		99	—	99	105	6	111
Onerous contracts	8	45	—	45	27	—	27
Other items	8	5	—	5	98	—	98
<b>Administration expenses</b>							
Review of assets and liabilities	8	27	3	30	81	24	105
Pension settlement gain	8	(21)	—	(21)	—	—	—
Restructuring costs	8	29	—	29	66	4	70
Amortisation of acquisition-related intangible assets	8	58	1	59	72	4	76
Acquisition-related expenses	8	1	—	1	4	—	4
Electronic Monitoring settlement	8	—	—	—	109	—	109
Goodwill impairment	8 18	—	—	—	46	80	126
Amortisation of other intangible assets		25	—	25	24	2	26
Depreciation of property, plant and equipment		108	3	111	114	9	123
(Profit)/loss on disposal of subsidiaries	17	—	(71)	(71)	(24)	3	(21)
Impairment of trade receivables		4	—	4	19	1	20
Litigation settlements		—	—	—	1	—	1
Research and development expenditure		10	—	10	5	—	5
Operating lease rentals payable		107	—	107	126	10	136
Operating sub-lease rentals receivable		(14)	—	(14)	(15)	—	(15)
Share based payments		5	—	5	—	—	—



## 10 Auditor's remuneration

	2014 £m	2013 Restated £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	1	1
Fees payable to the company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	5	6
All other services*	1	1

\* Other services relates to the provision of tax and non audit advisory services.

The Audit Committee Report on page 69 outlines the company's established policy for ensuring that audit independence is not compromised through the provision by the company's auditor of other services

## 11 Staff costs and employees

The average monthly number of employees in continuing and discontinued operations, including executive directors was

By reportable segment and geographical area	2014 Number	2013 Restated Number
Africa	124,024	119,930
Asia Middle East	243,909	236,984
Latin America	76,061	75,137
Europe	66,346	72,154
North America	59,232	60,226
UK & Ireland	41,221	44,681
Head office	196	173
Total average number of employees (excluding joint ventures)	610,989	609,285
Average number of employees employed by joint ventures	20,476	19,850
Total average number of employees (including joint ventures)	631,465	629,135

Their aggregate remuneration, in continuing and discontinued operations, comprised

	2014 £m	2013 Restated £m
Wages and salaries	4,243	4,561
Social security costs	489	560
Employee benefits	220	212
Total staff costs (excluding joint ventures)	4,952	5,333
Joint venture staff costs	111	108
Total staff costs (including joint ventures)	5,063	5,441

Information on directors remuneration, long-term incentive plans pension contributions and entitlements is set out in the Directors' remuneration report on pages 70 to 84

**12 Net finance expense**

	2014 £m	2013 Restated £m
Interest income on cash, cash equivalents and investments	10	12
Other interest income	1	1
Gain/(loss) arising from change in fair value of derivative financial instruments hedging loan notes	5	(28)
(Loss)/gain arising from fair value adjustment to the hedged loan note items	(5)	28
Total finance income	11	13
Interest on bank overdrafts and loans	(23)	(24)
Interest on loan notes	(91)	(100)
Net interest receivable on loan note related derivatives	11	12
Interest on obligations under finance leases	(4)	(4)
Other interest charges	(4)	(5)
Total group borrowing costs	(111)	(121)
Net finance costs on defined retirement benefit obligations	(22)	(20)
Total finance costs	(133)	(141)
Net finance expense	(122)	(128)

Included within group borrowing costs is a charge of £6m (2013 £6m) relating to cash flow hedges that were transferred from equity during the year

**13 Tax**

	Continuing operations 2014 £m	Discontinued operations 2014 £m	Total 2014 £m	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
<b>Current tax expense/(credit)</b>						
UK corporation tax	11	—	11	10	—	10
Overseas tax	66	—	66	58	(4)	54
Adjustments in respect of prior years						
UK corporation tax	1	—	1	1	—	1
Overseas tax	12	(1)	11	20	9	29
Total current tax expense/(credit)	90	(1)	89	89	5	94
<b>Deferred tax (credit)/expense</b>						
(see note 34)						
Current year	(20)	1	(19)	(23)	(1)	(24)
Adjustments in respect of prior years	(28)	—	(28)	(13)	5	(8)
Total deferred tax (credit)/expense	(48)	1	(47)	(36)	4	(32)
Total income tax expense for the year	42	—	42	53	9	62

UK corporation tax is calculated at 21.5% (2013 23.3%) of the estimated assessable profits for the period. Overseas tax is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the income statement as follows

	2014 £m	2013 Restated £m
<b>Profit/(loss) before tax</b>		
Continuing operations	148	(190)
Discontinued operations	63	(105)
<b>Total profit/(loss) before tax</b>	<b>211</b>	<b>(295)</b>
Tax at UK corporation tax rate of 21.5% (2013 23.3%)	(45)	69
Expenses that are not deductible in determining taxable profit	(15)	(47)
Deferred tax recognised on purchased intangibles	15	–
Profits on disposal of businesses not taxable	15	–
Tax losses not recognised in the current year	(26)	(44)
Different tax rates of subsidiaries operating in non-UK jurisdictions	(4)	(16)
Movement in deferred tax balance due to reduction in UK rate to 20% from 1 April 2015	–	(3)
Adjustment for joint ventures	2	2
Adjustments for previous years	16	(23)
<b>Total income tax charge</b>	<b>(42)</b>	<b>(62)</b>
<b>Effective tax rate for continuing and discontinuing operations</b>	<b>20%</b>	<b>21%</b>

The effective tax rate for continuing operations was 28% (2013 28%)

The following tax charge/(credit) has been recognised directly in equity within the statement of comprehensive income

	2014 £m	Restated 2013 £m
<b>Tax relating to components of other comprehensive income</b>		
Change in fair value of cash flow and net investment hedging financial instruments	(6)	3
Actuarial profit on defined retirement benefit schemes	36	1
Other	–	1
<b>Total tax debited to other comprehensive income</b>	<b>30</b>	<b>5</b>

#### 14 Dividends

	Pence per share	DKK per share	2014 £m	2013 Restated £m
<b>Amounts recognised as distributions to equity holders of the parent in the year</b>				
Final dividend for the year ended 31 December 2012	5.54	0.4730	–	78
Interim dividend for the six months ended 30 June 2013	3.42	0.2972	–	52
Final dividend for the year ended 31 December 2013	5.54	0.4954	85	–
Interim dividend for the six months ended 30 June 2014	3.42	0.3198	53	–
			<b>138</b>	<b>130</b>
<b>Proposed final dividend for the year ended 31 December 2014</b>	<b>5.82</b>	<b>0.6041</b>	<b>90</b>	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved it will be paid on 12 June 2015 to shareholders who are on the UK register on 8 May 2015. The exchange rate used to translate it into Danish krone is that at 9 March 2015.

**15 Earnings/(loss) per share attributable to equity shareholders of the parent**

	2014 £m	2013 Restated £m
<b>From continuing and discontinued operations</b>		
Profit/(loss) for the year attributable to equity shareholders of the parent	152	(365)
Weighted average number of ordinary shares (m) (see note below)	1,545	1,452
<b>Earnings/(loss) per share from continuing and discontinued operations (pence)</b>		
Basic and diluted	9 8p	(25 1)p
<b>From continuing operations</b>		
<b>Earnings/(loss)</b>		
Profit/(loss) for the year attributable to equity shareholders of the parent	152	(365)
Adjustment to exclude (profit)/loss for the year from discontinued operations (net of tax)	(63)	114
Profit/(loss) from continuing operations	89	(251)
<b>Earnings/(loss) per share from continuing operations (pence)</b>		
Basic and diluted	5 8p	(17 3)p
<b>From discontinued operations</b>		
<b>Earnings/(loss) per share from discontinued operations (pence)</b>		
Basic and diluted	4 1p	(7 8)p
<b>From adjusted earnings</b>		
<b>Earnings/(loss)</b>		
Profit/(loss) from continuing operations	89	(251)
Specific items	56	315
Restructuring	29	66
Amortisation of acquisition-related intangible assets	58	72
Goodwill impairment	–	46
Acquisition-related expenses	1	4
Profit on disposal on subsidiaries	–	(24)
Tax on amortisation and specific items	(33)	(20)
Non-controlling interests' share of specific items	(1)	(7)
Adjusted profit for the year attributable to equity shareholders of the parent	199	201
Weighted average number of ordinary shares (m)	1,545	1,452
Adjusted earnings per share (pence)	12 9p	13 8p

**Adjusted earnings per share**

In the opinion of the directors the earnings per share figure of most use to shareholders is the adjusted earnings per share. This figure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future earnings.

**Share placing**

In August 2013 the group completed a 9.99% share placing of 140,925,797 shares. The increase in average shares during 2014 reflects the full year impact of this share placing.

## 16 Acquisitions

### Current year acquisitions

The group did not undertake any material business combinations in the current year

### Prior year acquisitions

The group undertook a number of business combinations in the prior year including the acquisition of Deposita, a cash solutions business in South Africa

The following table sets out the fair value to the group in respect of all acquisitions made in the prior year

	Fair value £m
<b>2013 acquisitions</b>	
Intangible assets	15
Property, plant and equipment	2
Deferred tax assets	2
Inventories	4
Trade and other receivables	3
Cash and cash equivalents	1
Trade and other payables	(6)
Borrowings	(4)
Deferred tax liabilities	(3)
Net assets acquired of subsidiary undertakings	14
Goodwill	4
Total purchase consideration (paid in cash)	18

Adjustments were made to identifiable assets and liabilities on acquisition to reflect their fair value. These included the recognition of customer-related intangible assets amounting to £12m.

From their respective dates of acquisition, the acquired businesses contributed £28m to prior year revenues, £4m to prior year operating profit before specific items and £3m to prior year profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2013, group revenue for that year would have been £7,067m, operating profit before specific items would have been £418m and total loss for the year would have been £356m.

## Notes to the consolidated financial statements *continued*

### 17 Disposal of subsidiaries

During the current year the group disposed of its US Government Solutions business, its cash business in Canada, its business in Norway, its locks business in Finland and its business in Sweden

In the prior year the group disposed of its data solutions business in Colombia recognising a profit of £24m presented in continuing operations and its cash business in Slovakia resulting in a £3m loss presented in discontinued operations

The net assets and profit on disposal of operations disposed of were as follows

	2014 £m	2013 £m
Goodwill	54	–
Acquisition-related intangible assets	1	–
Property plant and equipment and intangible assets other than acquisition-related	27	8
Other non-current assets	80	–
Current assets	103	11
Liabilities	(150)	(5)
Net assets of operations disposed	115	14
Less recycling of cumulative translation reserve	(13)	–
Net impact on statement of financial position due to disposals	102	14
Profit on disposal	71	21
Total consideration	173	35
Satisfied by		
Cash received	161	35
Disposal costs	(4)	–
Used to repay debt	16	–
Total consideration relating to current year disposals	173	35
Additional consideration received in the current year relating to disposals completed in prior years	2	–
Total consideration recognised in the current year	175	35

Included in proceeds is £16m that was paid by the purchaser directly to the group's counterparties to repay existing debt at the time of disposal

## 18 Intangible assets

	Acquisition-related intangible assets				Other intangibles £m	Total £m
	Goodwill £m	Trademarks £m	Customer related £m	Technology £m		
<b>2014</b>						
<b>Cost</b>						
At 1 January 2014	2,052	32	657	9	200	2,950
Acquisition of businesses	–	–	1	–	–	1
Additions	–	–	–	–	34	34
Disposals	(13)	–	(1)	–	(11)	(25)
Translation adjustments	(13)	–	(4)	–	(3)	(20)
At 31 December 2014	2,026	32	653	9	220	2,940
<b>Amortisation and accumulated impairment losses</b>						
At 1 January 2014	(97)	(31)	(520)	(6)	(123)	(777)
Amortisation charge	–	–	(58)	(1)	(25)	(84)
Disposals	3	–	3	–	8	14
Translation adjustments	7	–	2	–	2	11
At 31 December 2014	(87)	(31)	(573)	(7)	(138)	(836)
<b>Carrying amount</b>						
At 1 January 2014	1,955	1	137	3	77	2,173
At 31 December 2014	1,939	1	80	2	82	2,104
<b>2013</b>						
<b>Cost</b>						
At 1 January 2013 – restated	2,158	33	675	6	199	3,071
Acquisition of businesses	4	–	12	3	–	19
Additions	–	–	–	–	27	27
Disposals	–	–	–	–	(5)	(5)
Reclassified as held for sale	(45)	(1)	(18)	–	(14)	(78)
Translation adjustments	(65)	–	(12)	–	(7)	(84)
At 31 December 2013 – restated	2,052	32	657	9	200	2,950
<b>Amortisation and accumulated impairment losses</b>						
At 1 January 2013 – restated	(62)	(30)	(475)	(5)	(112)	(684)
Amortisation charge	–	(2)	(73)	(1)	(26)	(102)
Impairment charge	(46)	–	–	–	–	(46)
Disposals	–	–	–	–	4	4
Reclassified as held for sale	–	1	17	–	8	26
Translation adjustments	11	–	11	–	3	25
At 31 December 2013 – restated	(97)	(31)	(520)	(6)	(123)	(777)
<b>Carrying amount</b>						
At 1 January 2013 – restated	2,096	3	200	1	87	2,387
At 31 December 2013 – restated	1,955	1	137	3	77	2,173

**18 Intangible assets (continued)****Goodwill allocation**

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) which are expected to benefit from that business combination. A significant portion of the group's goodwill was generated by the merger of the security services businesses of Group 4 Falck and Securicor in 2004 which was accounted for as an acquisition of Securicor by Group 4 Falck.

**Goodwill impairment testing**

The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that any of these assets may be impaired. The annual impairment test is performed prior to the year end when the budgeting process is finalised and reviewed post year end. The group's impairment test compares the carrying value of each CGU with its recoverable amount. CGUs are identified on a country level basis including significant business units as per the group's detailed management accounts. Under IAS 36 'Impairment of Assets', an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is generally determined by its value in use which is derived from discounted cash flow calculations. The key inputs to the calculations are described below. In rare circumstances, where market prices can be ascertained (for example through recent transactions or by reference to normal industry standard multiples), the fair value less costs to sell is used as a basis for the recoverable amount. In the current year the value of goodwill in the UK cash business and the Brazil security business was supported by this valuation method.

**Forecast cash flows**

All operating countries in the group are required to submit a budget for the next financial year (for the current year test this is for the year ended 31 December 2015) and their strategic plan forecasts for the following two years (in this case the years ended 31 December 2016 and 31 December 2017).

The revenue figures submitted as part of this exercise are used to derive a growth rate for the discounted cash flow calculation (see the growth rate table below). The group applies a 10% forecast risk to reduce revenue forecasts in each year to reflect the uncertainties inherent in estimating future revenue streams.

Forecast cash flows are adjusted from year 4 onwards by applying a growth rate as detailed in the growth rate section, and discounted using specific risk-adjusted discount rates as described in the discount rate section.

**Growth Rate**

Growth rates are determined from the budgeted and forecast revenue in years 1-3 and then projected using the lower of the forecast growth rate and the country's nominal growth rate (per the IMF) to a terminal growth rate in year 15 of 1% for developed markets or 3% for emerging markets. This is detailed in the table below.

Growth assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to 15	Terminal value
Input	Budget*	Forecast*	Forecast*	Projected – to year 5 at lower of forecast or country growth	Projected – to year 5 at lower of forecast or country growth	Projected to year 15 'terminal growth	Estimate of residual growth developed 1%, emerging 3%
Example	8%	7%	6%	5%	4%	4% to 1% over 10 years	1%

\* Budgets and forecasts are reviewed by the group Board.

In the above example, budgeted year 1 growth rate is 8%, forecast growth in year 2 is 7% and in year 3 is 6%. The country growth rate is 4% so the growth rate is reduced each year to reach 4% at year 5. From year 6 the growth rate is then reduced over the next ten years to provide a terminal value growth of 1% (the example is based on a developed market CGU).



### Discount rate

Discount rates are calculated for each CGU based on the relevant local risk-free rate adjusted for that CGU's specific risk-adjusted equity risk premium. For the impairment test performed for the year ended 31 December 2014 the group has revised the calculation of the pre-tax discount rates applied to certain CGU's. This revision adjusts for the current low-interest rate environment by increasing abnormally low pre-tax discount rates. Details of how the other key discount rate inputs are derived are given below.

Input	How determined	31 Dec 2014
Risk-free rate	The risk-free rate is generally obtained from the local government's 10 year gilt/bond rates. Where these are unavailable the group uses the closest available information (e.g. shorter term gilt rates).	2.35% in UK
UK equity risk premium	The equity risk premium is determined for the UK by analysing a variety of sources including economic studies carried out by Barclays Capital and others.	5.0% in UK
Operating country equity risk premium	Specific local equity risk premiums are based on the UK risk premium adjusted for specific economic and financial risks. The sources for these adjustments are the institutional Investor Magazine and the IMF website as well as other studies by independent economists.	
Leveraged beta	Beta is a risk adjustment applied to the discount rate to reflect the risk of the group's operating companies relative to the market as a whole. The group's beta is obtained from independent market studies and is adjusted for the appropriate leverage of the group.	0.8 for the group
Tax rate	Local tax rates are applied to each CGU to calculate pre-tax cost of equity.	21% in UK
Debt margin	The group applies a margin to the cost of debt for each CGU, with a higher margin applied to those CGUs operating in higher risk environments. These margins range from 1.5% in less risky CGUs (for example in the UK) to 7% in more risky CGUs (e.g. 6.5% in Yemen).	1.5% in UK
Weighted average cost of capital (pre-tax)	The weighted average cost of capital is calculated by weighting the cost of equity and the cost of debt by the applicable debt equity ratio at the year end.	8.7% in UK

The table below sets out the pre-tax discount rates and growth rates used for the group's significant countries.

	Discount rate 2014 %	Discount rate 2013 %	Growth rate 2014 %	Growth rate 2013 %	Goodwill 2014 £m	Goodwill 2013 Restated £m
South Africa	16.3%	16.0%	6.7%	8.5%	33	30
Brazil	20.5%	18.4%	7.6%	8.0%	92	98
United States of America	8.5%	9.0%	4.6%	5.3%	407	384
Hong Kong	7.9%	9.2%	7.3%	7.5%	41	38
Malaysia	10.4%	10.4%	7.9%	7.4%	39	40
Estonia	7.7%	9.2%	5.9%	6.2%	59	63
Israel	8.5%	10.4%	5.2%	1.0%	34	36
Netherlands	7.2%	8.9%	2.2%	3.1%	140	150
United Kingdom	8.7%	8.6%	4.0%	4.3%	710	710
Other (all allocated)					384	406
Total goodwill					1,939	1,955

\* Lower of year 5 country growth rate per the IMF and implied year 3 business forecast growth rate.

Within the UK, the most significant CGUs and their goodwill carrying values are UK Care and Justice (£247m), UK Cash Solutions (£205m) and UK Secure Solutions (£102m). Within the USA, the most significant CGU is US Commercial Security Solutions with goodwill of £321m.

**18 Intangible assets (continued)****Impairment**

There were no impairments recognised during 2014. During the year ended 31 December 2013 impairment charges totaling £46m were recorded in respect of the group's goodwill, in the following countries:

	2013 £m
Democratic Republic of Congo	(4)
Malawi	(2)
Nigeria	(4)
Brazil	(24)
Ireland	(5)
Other impaired	(7)
<b>Total</b>	<b>(46)</b>

The impairment charge in Brazil was driven by losses incurred in the first half of 2013 in the technology business and a general turndown in trading. The impairment in Ireland was as a result of the economic challenges in the country and the specific situation of the group's cash business. Certain CGUs in Africa were impaired mainly as a result of worsening economic and political circumstances in those countries.

**Sensitivity to key assumptions**

The key assumptions used in the discounted cash flow calculations relate to the discount rates and growth rates used. The table below shows the additional impairment that would arise from an increase in discount rates by 1% and 3% (with all other variables being equal, for example, taking the UK base rate from 8.7% to 9.7% and 11.7%) or a decrease in growth rates by 1% and 3% (with all other variables being equal, for example, taking the UK growth rate from 4.0% to 3.0% and 1.0%) for the group in total and for each of its significant countries:

	Goodwill 2014 £m	Base discount rate 2014	Additional impairment		Base growth rate 2014	Additional impairment	
			1% increase 2014 £m	3% increase 2014 £m		1% decrease 2014 £m	3% decrease 2014 £m
South Africa	33	16.3%	–	–	6.7%	–	–
Brazil	92	20.5%	6	16	7.6%	3	7
United States of America	407	8.5%	–	–	4.6%	–	–
Hong Kong	41	7.9%	–	–	7.3%	–	–
Malaysia	39	10.4%	–	–	7.9%	–	–
Estonia	59	7.7%	–	12	5.9%	–	1
Israel	34	8.5%	–	–	5.2%	–	–
Netherlands	140	7.2%	–	–	2.2%	–	–
United Kingdom	710	8.7%	27	72	4.0%	11	33
Other (all allocated)	384		6	17		3	8
<b>Total</b>	<b>1,939</b>		<b>39</b>	<b>117</b>		<b>17</b>	<b>49</b>

\* Lower of country growth rate per IMF and implied year 3 business forecast growth rate

## 19 Property plant and equipment

	Land and buildings £m	Equipment and vehicles £m	Total £m
<b>2014</b>			
<b>Cost</b>			
At 1 January 2014	241	993	1,234
Additions	12	98	110
Disposals	–	(140)	(140)
Reclassified as held for sale	–	(5)	(5)
Translation adjustments	(5)	(27)	(32)
At 31 December 2014	248	919	1,167
<b>Depreciation and accumulated impairment losses</b>			
At 1 January 2014	(79)	(671)	(750)
Depreciation charge	(15)	(96)	(111)
Disposals	6	112	118
Reclassified as held for sale	–	3	3
Translation adjustments	2	21	23
At 31 December 2014	(86)	(631)	(717)
<b>Carrying amount</b>			
At 1 January 2014	162	322	484
At 31 December 2014	162	288	450
<b>2013</b>			
<b>Cost</b>			
At 1 January 2013 – restated	237	980	1,217
Acquisition of businesses	–	2	2
Additions	21	138	159
Disposals	(10)	(63)	(73)
Reclassified as held for sale	(5)	(35)	(40)
Translation adjustments	(2)	(29)	(31)
At 31 December 2013 – restated	241	993	1,234
<b>Depreciation and accumulated impairment losses</b>			
At 1 January 2013 – restated	(77)	(634)	(711)
Depreciation charge	(15)	(108)	(123)
Disposals	8	47	55
Reclassified as held for sale	4	22	26
Translation adjustments	1	2	3
At 31 December 2013 – restated	(79)	(671)	(750)
<b>Carrying amount</b>			
At 1 January 2013 – restated	160	346	506
At 31 December 2013 – restated	162	322	484

### 19 Property plant and equipment (continued)

The net book value of equipment and vehicles held under finance leases was £34m (2013 £52m). Accumulated depreciation on these assets was £100m (2013 £124m) and the depreciation charge for the year was £14m (2013 £17m).

The rights over finance leased assets are effectively security for lease liabilities. These rights revert to the lessor in the event of default.

The net book value of equipment and vehicles includes £28m (2013 £26m) of assets leased by the group to third parties under operating leases. Accumulated depreciation on these assets was £110m (2013 £97m) and the depreciation charge for the year was £8m (2013 £7m).

The net book value of land and buildings comprises freeholds of £85m (2013 £73m), long leaseholds of £19m (2013 £20m) and short leaseholds of £58m (2013 £69m).

### 20 Investment in joint ventures

The following is summarised financial information for the group's interest in immaterial joint ventures, based on the amounts reported in the group's consolidated financial statements.

	2014 £m	2013 Restated £m
Carrying amount of interests in joint ventures	41	34
Group's share of		
Profit from continuing operations	8	8
Other comprehensive income	—	(5)
Total comprehensive income	8	3

### 21 Inventories

	2014 £m	2013 Restated £m
Raw materials	12	14
Work in progress	11	9
Finished goods including consumables	85	89
Total inventories	108	112

### 22 Investments

Investments comprise primarily listed securities of £52m (2013 £29m) held by the group's wholly-owned captive insurance subsidiaries. These are stated at their fair values based on quoted market prices consistent with level 1 of the valuation hierarchy. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

## 23 Trade and other receivables

	Notes	2014 £m	2013 Restated £m
<b>Within current assets</b>			
Trade debtors		1,129	1,122
Allowance for doubtful debts		(50)	(37)
Other debtors (including tax receivable)		175	183
Prepayments and accrued income		73	74
Amounts due from construction contract customers	24	11	23
Derivative financial instruments at fair value	30	33	15
<b>Total trade and other receivables included within current assets</b>		<b>1,371</b>	<b>1,380</b>
<b>Within non-current assets</b>			
Derivative financial instruments at fair value	30	57	74
Other debtors		40	30
<b>Total trade and other receivables included within non-current assets</b>		<b>97</b>	<b>104</b>

### Credit risk on trade receivables

There is limited concentration of credit risk with respect to trade receivables as the group's customers are both large in number and dispersed geographically in over 110 countries. The group's largest customer is the UK Government which comprises approximately 10% (2013 13%) of the total trade debtor balance as at 31 December 2014. Group companies are required to follow the Group Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and assessments and obtaining additional security where required.

Credit terms vary across the group and can range from 0 to 90 days to reflect the different risks within each country in which the group operates. There is no group-wide rate of provision, and provision is made for debts that are past due according to local conditions and past default experience.

The movement in the allowance for doubtful debts is as follows:

	2014 £m	2013 Restated £m
At 1 January	(37)	(44)
Amounts written off during the year	4	20
Increase in allowance	(17)	(13)
<b>At 31 December</b>	<b>(50)</b>	<b>(37)</b>

The ageing of trade debtors, net of allowance for doubtful debt, is as follows:

	2014 £m	2013 Restated £m
Not yet due	864	859
1-30 days overdue	124	128
31-60 days overdue	42	26
61-90 days overdue	19	27
91-180 days overdue	24	37
181-365 days overdue	6	6
Over 365 days overdue	—	2
<b>Net trade debtors</b>	<b>1,079</b>	<b>1,085</b>

No additional provision has been made on the above amounts as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The group does not hold any collateral over these balances. The proportion of trade debtors at 31 December 2014 that were overdue for payment was 20% (2013 21%). The group's DSO measure (days sales outstanding) based on revenue for the last 90 days of the year was 48 days (2013 49 days).

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

**24 Construction contracts**

	Notes	2014 £m	2013 Restated £m
Amounts due from contract customers included in trade and other receivables	23	11	23
Amounts due to contract customers included in trade and other payables	29	(2)	(2)
Net balances relating to construction contracts		9	21
Contract costs incurred plus recognised profits less recognised losses to date		127	287
Less progress billings		(118)	(266)
Net balances relating to construction contracts		9	21

At 31 December 2014, advances received from customers for contract work amounted to £4m (2013 £4m). There were no material retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

**25 Disposal groups classified as held for sale**

At 31 December 2014, disposal groups classified as held for sale included the assets and liabilities associated with the group's business in Costa Rica.

At 31 December 2013, disposal groups classified as held for sale included the assets and liabilities associated with the group's cash business in Canada and the group's business in Norway, both of which were sold in January 2014. Disposal groups held for sale at 31 December 2013 also included the assets and liabilities associated with the classified US Government Solutions business which was sold in November 2014.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2014 £m	2013 £m
<b>ASSETS</b>		
Goodwill	–	45
Acquisition-related intangible assets	–	1
Property, plant and equipment and intangible assets other than acquisition-related	2	20
Interest in associates	–	12
Trade and other receivables (non-current)	–	10
Deferred tax asset	–	14
Trading investments	–	12
Inventories	–	2
Trade and other receivables (current)	4	89
Cash and cash equivalents	–	15
<b>Total assets classified as held for sale</b>	<b>6</b>	<b>220</b>
<b>LIABILITIES</b>		
Bank loans	(1)	(19)
Trade and other payables	(3)	(93)
Retirement benefit obligations	–	(17)
Deferred tax liability	–	(4)
<b>Total liabilities associated with assets classified as held for sale</b>	<b>(4)</b>	<b>(133)</b>
<b>Net assets of disposal group</b>	<b>2</b>	<b>87</b>

## 26 Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the consolidated cash flow statement to amounts reported within the consolidated statement of financial position is presented below

	2014 £m	2013 Restated £m
Cash and cash equivalents	409	532
Bank overdrafts	(18)	(9)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	–	15
Total cash, cash equivalents and bank overdrafts	391	538

Cash and cash equivalents comprise principally short-term money market deposits, current account balances and group-owned cash held in ATM machines and at 31 December 2014 bore interest at a weighted average rate of 0.8% (2013 0.7%). The credit risk on cash and cash equivalents is limited because wherever possible and in accordance with Group Treasury policy the cash is placed with bank counterparties that hold investment grade credit ratings assigned by international credit-rating agencies.

The group operates a multi-currency notional pooling cash management system which included over 140 group companies at 31 December 2014. The group met the conditions of IAS 32 'Financial Instruments: Presentation' allowing balances within this cash pool to be offset for reporting purposes. At 31 December 2014 £300m (2013 £422m) of the cash balances and the equivalent amount of the overdraft balances were offset.

Cash and cash equivalents of £26m (2013 £39m) are held by the group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the group's captive insurance subsidiaries.

## 27 Bank overdrafts, bank loans and loan notes

	2014 £m	2013 Restated £m
Bank overdrafts	18	9
Bank loans	165	167
Loan notes*	1,899	1,982
Total bank overdrafts, bank loans and loan notes	2,082	2,158

The borrowings are repayable as follows:

On demand or within one year	174	97
In the second year	129	95
In the third to fifth years inclusive	1,648	1,392
After five years	131	574
Total bank overdrafts, bank loans and loan notes	2,082	2,158

Less: Amount due for settlement within 12 months (shown under current liabilities)

Bank overdrafts	(18)	(9)
Bank loans	(60)	(27)
Loan notes	(96)	(61)
	(174)	(97)
Amount due for settlement after 12 months	1,908	2,061

\* Loan notes includes £687m (2013 £716m) of private loan notes and £1,212m (2013 £1,266m) of public loan notes.

## 27 Bank overdrafts, bank loans and loan notes (continued)

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

	Sterling £m	Euros £m	US Dollars £m	Others £m	Total £m
Bank overdrafts	1	3	14	–	18
Bank loans	48	–	108	9	165
Loan notes	419	858	622	–	1,899
<b>At 31 December 2014</b>	<b>468</b>	<b>861</b>	<b>744</b>	<b>9</b>	<b>2,082</b>
Bank overdrafts	1	5	3	–	9
Bank loans	–	37	80	50	167
Loan notes	419	915	648	–	1,982
<b>At 31 December 2013 – restated</b>	<b>420</b>	<b>957</b>	<b>731</b>	<b>50</b>	<b>2,158</b>

Of the borrowings in currencies other than sterling, £926m (2013 £1 014m) is designated as a net investment hedge

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2014 adjusted for hedging were as follows

	2014 %	2013 %
Bank overdrafts	0.9	1.1
Bank loans	2.3	3.5
Private loan notes	4.3	4.2
Public loan notes	4.1	4.2

At 31 December 2014, the group's committed bank borrowings comprised a £1.1bn multi-currency revolving credit facility with a maturity date of March 2016. At 31 December 2014 undrawn committed available facilities amounted to £998m (2013 £965m). Interest on all committed bank borrowing facilities is at prevailing Libor or Euribor rates, dependent upon the period of drawdown, plus an agreed margin, and re-priced within one year or less.

In January 2015 the revolving credit facility was refinanced. The new facility is £1.0bn and matures in January 2020 with two one-year extension options exercisable with lending bank consent on the facility's first and second anniversary. If exercised the maturity date would extend to January 2021 and January 2022 respectively.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 31.

The group issued fixed rate loan notes in the US Private Placement market totalling US\$550m (£353m) on 1 March 2007. \$100m of these notes matured and were repaid on 1 March 2014, with the remaining notes maturing in March 2017 (\$200m), March 2019 (\$145m) and March 2022 (\$105m).

The group issued further fixed rate loan notes in the US Private Placement market totalling US\$514m (£329m) and £69m on 15 July 2008. \$65m of these notes matured and were repaid on 15 July 2013, with the remaining notes maturing in July 2015 (\$150m), July 2016 (£25m), July 2018 (\$224m) and (£44m), and July 2020 (\$75m).

The group issued its inaugural public note of £350m using its European Medium Term Note Programme on 13 May 2009. The note matures in May 2019.

During 2012 the group issued two further public notes, a €600m note issued in May 2012 maturing May 2017 and a €500m note issued in December 2012 maturing December 2018.

The committed bank facilities and the private loan notes are subject to one financial covenant (net debt to EBITDA ratio where EBITDA is calculated as underlying group PBITA plus depreciation and amortisation of non-acquisition related intangible assets) and non-compliance with the covenant may lead to an acceleration of maturity. The group complied with the financial covenant throughout the year to 31 December 2014 and the year to 31 December 2013. The group has not defaulted on, or breached the terms of any material loans during the year.

Bank overdrafts, bank loans, the loan notes issued in July 2008 (with the exception of £44m), €510m of the loan notes issued in May 2012 and €380m of the loan notes issued in December 2012 are stated at amortised cost. The loan notes issued in March 2007, £44m of the loan notes issued in July 2008, the loan notes issued in May 2009, €90m of the loan notes issued in May 2012 and €120m of the loan notes issued in December 2012 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship.

US\$200m (£128m) of the loan notes issued in July 2008 have a fair value market gain of £28m (2013 gain £21m) resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.975.



€325m (£252m) of the loan notes issued in May 2012 have a fair value market loss of £14m (2013 gain £5m) predominately resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.222 and partly resulting from the cross currency swaps fixing the sterling and euro interest rates

€350m (£272m) of the loan notes issued in December 2012 have a fair value market loss of £5m (2013 gain £16m) predominately resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.233 and partly resulting from the cross currency swaps fixing the sterling and euro interest rates

## 28 Obligations under finance leases

	Minimum lease payments 2014 £m	Minimum lease payments 2013 Restated £m	Present Value of minimum lease payments 2014 £m	Present value of minimum lease payments 2013 Restated £m
Amounts payable under finance leases				
Within one year	16	23	14	21
In the second to fifth years inclusive	29	31	24	28
After five years	3	3	2	3
	48	57	40	52
Less future finance charges on finance leases	(8)	(5)		
Present value of lease obligations	40	52		
Less amount due for settlement within 12 months (shown under current liabilities)			(14)	(21)
Amount due for settlement after 12 months			26	31

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is seven years. For the year ended 31 December 2014, the weighted average effective borrowing rate was 8.2% (2013 7.3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The group's obligations under finance leases are secured by the lessors' charges over the leased assets.

## 29 Trade and other payables

	Notes	2014 £m	2013 Restated £m
<b>Within current liabilities</b>			
Trade creditors		185	209
Amounts due to construction contract customers	24	2	2
Other taxation and social security costs		185	200
Holiday pay accruals		318	313
Other creditors		108	132
Accruals and deferred income		280	308
Derivative financial instruments at fair value	30	25	2
<b>Total trade and other payables included within current liabilities</b>		<b>1,103</b>	<b>1,166</b>
<b>Within non-current liabilities</b>			
Derivative financial instruments at fair value	30	12	2
Other creditors		11	11
<b>Total trade and other payables included within non-current liabilities</b>		<b>23</b>	<b>13</b>

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2013 36 days).

**30 Derivative financial instruments**

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Cross currency swaps designated as cash flow hedges	28	42	19	–
Interest rate swaps designated as cash flow hedges	–	–	1	2
Interest rate swaps designated as fair value hedges	61	46	12	1
Foreign exchange forward transactions	1	–	–	–
Commodity swaps	–	1	5	1
	90	89	37	4
Less non-current portion	(57)	(74)	(12)	(2)
Current portion	33	15	25	2

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

The mark to market valuation of the derivatives has fallen by £32m during the year.

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	1	4	1
In the second year	–	16	2	–
In the third year	–	–	14	2
In the fourth year	7	5	5	–
In the fifth year or greater	–	21	–	–
Total carrying value	28	43	25	3

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	22	1	9	6
In the second year	–	16	6	4
In the third year	–	–	7	4
In the fourth year	7	11	1	–
In the fifth year or greater	–	26	–	–
Total cash flows	29	54	23	14

### 31 Financial risk

#### Capital management

Post the year end the group refinanced its £1.1bn multi-currency revolving credit facility with a £1.0bn facility that was signed on 7 January 2015. The new facility is for five years with two extension options exercisable by the banks that potentially results in the facility having a life of seven years.

In August 2014, Standard & Poor's confirmed the group's long term credit rating of BBB- Stable. The group will continue to manage its capital structure so that it retains an investment grade rating.

The group's policy is to maintain a net debt to EBITDA ratio of less than 2.5 times. At the end of 2014 the ratio was 2.8 times which reflects the Electronic Monitoring contract settlement. The ratio is expected to steadily decline as the benefits from the restructuring and business transformation programmes take effect.

At 31 December 2014 the group had £998m of available and undrawn facilities from its committed £1.1bn bank facility. Following the successful refinancing of its committed bank facility in January 2015, the group has no significant maturity until May 2017 and has a medium to long-term debt maturity profile. The group is currently well placed to access finance from the debt capital markets and the bank market if required. Borrowings are principally in sterling, US dollars and Euros reflecting the geographies of significant operational assets and profits.

#### Liquidity risk

The group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the group's bank overdrafts, bank loans and loan notes see note 27.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2013	32%
31 March 2014	32%
30 June 2014	33%
30 September 2014	32%
31 December 2014	34%

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

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

## Notes to the consolidated financial statements *continued*

### 31 Financial risk (continued)

#### Maturity profile of loans and borrowings

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

31 December 2014	Notes	Carrying Amount	Fair Value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
Investments	22	60	60	60	60	—	—
Derivative financial instruments (interest rate swaps)	30	49	49	65	18	43	4
<b>Financial assets designated at fair value through profit or loss</b>		<b>109</b>	<b>109</b>	<b>125</b>	<b>78</b>	<b>43</b>	<b>4</b>
Derivative financial instruments (foreign exchange forwards)	30	1	1	1	1	—	—
Derivative financial instruments (cross currency swaps)	30	28	28	28	21	7	—
<b>Financial assets designated as cash flow hedges</b>		<b>29</b>	<b>29</b>	<b>29</b>	<b>22</b>	<b>7</b>	<b>—</b>
Net trade receivables	23	1,079	1,079	1,079	1,079	—	—
Cash and cash equivalents	26	409	409	409	409	—	—
<b>Loans and receivables</b>		<b>1,488</b>	<b>1,488</b>	<b>1,488</b>	<b>1,488</b>	<b>—</b>	<b>—</b>
Loan notes (issued May 2009, 7.75%, maturing 2019)	27	(354)	(354)	(486)	(27)	(459)	—
Loan notes (issued March 2007, 5.86%-6.06%, maturing 2014-22)	27	(330)	(330)	(363)	(17)	(268)	(78)
<b>Financial liabilities designated as fair value hedges</b>		<b>(684)</b>	<b>(684)</b>	<b>(849)</b>	<b>(44)</b>	<b>(727)</b>	<b>(78)</b>
Derivative financial instruments (cross currency swaps)	30	(19)	(19)	(17)	(4)	(13)	—
Derivative financial instruments (interest rate swaps)	30	(1)	(1)	(1)	(1)	—	—
Derivative financial instruments (commodity swaps)	30	(5)	(5)	(5)	(4)	(1)	—
<b>Financial liabilities designated as cash flow hedges</b>		<b>(25)</b>	<b>(25)</b>	<b>(23)</b>	<b>(9)</b>	<b>(14)</b>	<b>—</b>
Loan notes (issued July 2008, 6.09%-7.56%, maturing 2015-20)*	27	(357)	(385)	(439)	(121)	(267)	(51)
Loan notes (issued May 2012, 2.875%, maturing 2017)	27	(467)	(478)	(506)	(13)	(493)	—
Loan notes (issued December 2012, 2.625%, maturing 2018)*	27	(391)	(399)	(429)	(10)	(419)	—
Bank loans	27	(165)	(165)	(165)	(60)	(105)	—
Overdrafts	27	(18)	(18)	(18)	(18)	—	—
Finance lease liabilities	28	(40)	(40)	(40)	(14)	(24)	(2)
Trade payables	29	(185)	(185)	(185)	(185)	—	—
Other liabilities	29	(11)	(11)	(11)	—	(11)	—
<b>Financial liabilities measured at amortised cost</b>		<b>(1,634)</b>	<b>(1,681)</b>	<b>(1,793)</b>	<b>(421)</b>	<b>(1,319)</b>	<b>(53)</b>

\* £44m of July 2008 loan notes, €90m (£70m) of May 2012 loan notes and €120m (£93m) of December 2012 loan notes are recorded at fair value through profit or loss

31 December 2013	Notes	Carrying Amount Restated	Fair Value Restated	Total contractual cash flows Restated	Within 1 year Restated	2-5 years Restated	Over 5 years Restated
Investments	22	39	39	39	39	–	–
Derivative financial instruments (interest rate swaps)	30	46	46	53	16	35	2
<b>Financial assets designated at fair value through profit or loss</b>		<b>85</b>	<b>85</b>	<b>92</b>	<b>55</b>	<b>35</b>	<b>2</b>
Derivative financial instruments (commodity swaps)	30	1	1	1	1	–	–
Derivative financial instruments (cross currency swaps)	30	42	42	42	(3)	45	–
<b>Financial assets designated as cash flow hedges</b>		<b>43</b>	<b>43</b>	<b>43</b>	<b>(2)</b>	<b>45</b>	<b>–</b>
Net trade receivables	23	1,085	1,085	1,085	1,085	–	–
Cash and cash equivalents	26	532	532	532	532	–	–
<b>Loans and receivables</b>		<b>1,617</b>	<b>1,617</b>	<b>1,617</b>	<b>1,617</b>	<b>–</b>	<b>–</b>
Loan notes (issued March 2007, 5.77%-6.06%, maturing 2014-22)	27	(377)	(377)	(420)	(78)	(175)	(167)
Derivative financial instruments (interest rate swaps)	30	(1)	(1)	(1)	1	(2)	–
<b>Financial liabilities designated as fair value hedge</b>		<b>(378)</b>	<b>(378)</b>	<b>(421)</b>	<b>(77)</b>	<b>(177)</b>	<b>(167)</b>
Derivative financial instruments (interest rate swaps)	30	(2)	(2)	(3)	(2)	(1)	–
Derivative financial instruments (commodity swaps)	30	(1)	(1)	(1)	–	(1)	–
<b>Financial liabilities designated as cash flow hedges</b>		<b>(3)</b>	<b>(3)</b>	<b>(4)</b>	<b>(2)</b>	<b>(2)</b>	<b>–</b>
Loan notes (issued July 2008, 6.09%-7.56%, maturing 2015-20)	27	(340)	(381)	(418)	(23)	(344)	(51)
Loan notes (issued May 2009, 7.75%, maturing 2019)	27	(350)	(376)	(513)	(27)	(109)	(377)
Loan notes (issued May 2012, 2.875%, maturing 2017)*	27	(500)	(508)	(556)	(14)	(542)	–
Loan notes (issued December 2012, 2.625%, maturing 2018)*	27	(415)	(410)	(471)	(11)	(460)	–
Bank loans	27	(167)	(167)	(167)	(27)	(140)	–
Overdrafts	27	(9)	(9)	(9)	(9)	–	–
Finance lease liabilities	28	(52)	(52)	(52)	(21)	(28)	(3)
Trade payables	29	(209)	(209)	(209)	(209)	–	–
Other liabilities	29	(11)	(11)	(11)	–	(11)	–
<b>Financial liabilities measured at amortised cost</b>		<b>(2,053)</b>	<b>(2,123)</b>	<b>(2,406)</b>	<b>(341)</b>	<b>(1,634)</b>	<b>(431)</b>

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

\* €90m (£75m) of May 2012 loan notes and €120m (£100m) of December 2012 loan notes are recorded at fair value through profit or loss.

### 31 Financial risk (continued)

#### Market risk

##### *Currency risk and forward foreign exchange contracts*

The group conducts business in many currencies. Transaction risk is limited since, wherever possible, each business operates and conducts its financing activities in local currency. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial proportion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

Translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges.

At 31 December 2014, the group's US dollar and Euro net assets were approximately 78% and 74% respectively hedged by foreign currency loans (2013 US dollar 82%, Euro 59%).

Cross currency swaps with a nominal value of £101m are in place hedging the foreign currency risk on US\$200m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.9750.

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

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

Assuming a 1% appreciation of sterling against the US dollar and the Euro, the fair value net gain on the cross currency swaps which hedge part of the currency loan notes would be expected to fall by £6m.

##### *Interest rate risk and interest rate swaps*

Borrowing at floating rates as described in note 27 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2014 the nominal value of such contracts was £103m (in respect of US dollar) (2013 £97m) and £54m (in respect of Euro) (2013 £37m), their weighted average interest rate was 1.3% (US dollar) (2013 1.3%) and 0.6% (Euro) (2013 2.8%), and their weighted average period to maturity was three years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market with investors preferring a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the group was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is LIBOR + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008, the GBP public notes issued in May 2009, 510m of the Euro public notes issued in May 2012 and 380m of the Euro public notes issued in December 2012 was initially kept at fixed rate. In April 2014 the interest rate on £44m of the US Private Placement notes issued in July 2008 and on all the GBP public notes issued in May 2009 was swapped from fixed to floating for a period of three years using derivatives.

All three public notes have a coupon step up of 1.25% which is triggered should the credit rating of G4S plc fall below investment grade.

The core group borrowings are held in US dollar, Euro and sterling. Although the impact of rising interest rates is largely shielded by fixed rate loans and interest rate swaps which provide certainty on the vast majority of the exposure, some interest rate risk remains. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2014 debt position constant throughout 2015, would lead to an expectation of an additional interest charge of £11m in the 2015 financial year.

#### *Commodity risk and commodity swaps*

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. Commodity swaps and commodity options are used to fix synthetically part of the exposure and reduce the associated cost volatility. Commodity swaps hedging 23 million litres of projected 2015 diesel consumption and 10 million litres of projected 2016 diesel consumption were in place at 31 December 2014.

#### *Counterparty credit risk*

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

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

Treasury transactions are dealt with the group's relationship banks, all of which have a strong investment grade rating. At 31 December 2014 the largest two counterparty exposures related to treasury transactions were £33m and £21m and both were held with institutions with a long-term Standard & Poor's credit rating of A. These exposures represent 43% and 27% of the carrying values of the treasury transactions, with a fair value gain at the balance sheet date. Both of these banks had significant loan commitments outstanding to G4S plc at 31 December 2014.

The group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of an A rated bank. At year end credit balances of £300m were pooled with debit balances of £301m, resulting in a net pool overdraft balance of £1m. There is legal right of set off under the pooling agreement and an overdraft facility of £3m.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no, or a non-investment grade, rating can be approved as counterparties for a period of up to 12 months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

### **32 Retirement benefit obligations**

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution multi-employer and funded and unfunded defined benefit schemes.

#### **Defined contribution arrangements**

The majority of the retirement benefit arrangements operated by the group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the income statement totalled £96m (2013 £99m).

In the UK, following the closure of the defined benefit schemes to new entrants in 2004 the main scheme for new employees is a contracted-in defined contribution scheme.

The group disposed of its interest in G4S Government Solutions, Inc. during the year. G4S Government Solutions, Inc. was the administrator of several defined benefit schemes and was responsible for making periodic cost-reimbursable deposits to the various defined benefit schemes as determined by independent actuaries. In each instance, the US Department of Energy ('DOE') acknowledged within the contract entered between the DOE and G4S Government Solutions, Inc. its responsibility for all unfunded pension and benefit liabilities. Therefore, these schemes were accounted for as defined contribution schemes up until the date of disposal in November 2014.

#### **Multi-employer arrangement**

In the Netherlands, most of the employees are members of the Security Industry Wide Pension Fund (IWPF). This is a career-average defined benefit plan. Pensionable salary is subject to a cap and minus an offset that reflects social security levels. Withdrawal from the scheme is only possible under certain strict conditions determined by Dutch law and by the pension fund board of the IWPF.

The plan is funded by a premium that is set by the IWPF board in line with the financing rules that state that the premium should cover the cost of the annual accrual of pension benefits. Historically the premium has been 30% of pensionable salaries and the employer pays 60% of this premium and the employees the remaining 40%.

The financing rules specify that an employer is not obliged to pay any further premiums in respect of previously accrued benefits. This means that in case of insufficient funding, the benefits of participants could, in theory, be reduced. The current solvency ratio is 111.7% (December 2014). The required solvency ratio according to Dutch law is 122.3% (as at 31 December 2012). Should a surplus appear within the scheme the board will decide if a reduction in premium is possible although this would only be possible at much higher solvency levels.

**32 Retirement benefit obligations (continued)**

Premiums paid to the scheme by the group and charged to the income statement in 2014 totalled £7m (2013 £8m). The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2015 in respect of the on-going accrual of benefits is approximately £8m including allowance for members of the Securicor Staff Pension Plan who have now joined this multi-employer plan. The premium that the IWPf received in 2014 is not yet available, in 2013 this amounted to €57.4m of which approximately €8m was paid by the group and €5m by G4S employees. The total number of employees is approximately 22,500 at the end of 2013. The number of employees working for the group is approximately 5,000 as at 31 October 2014.

The scheme is not accounted for as a defined benefit scheme under IAS 19 'Employee Benefits' as it is not possible to identify the group's share of the scheme's assets and liabilities. As a result, and in line with general practice for such schemes, the scheme is accounted for as if it were a defined contribution scheme under IAS 19.

During 2014 the assets and past and future service liabilities of the Netherlands Securicor Staff Pension Plan were transferred to the Security Industry Wide Fund. This led to a settlement gain of €26m (£21m).

**Defined benefit arrangements**

The group operates several funded defined retirement benefit schemes where the benefits are based on employees' length of service. Whilst the group's primary scheme is in the UK, it also operates other material schemes in the Netherlands and other less material plans elsewhere. Under funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned.

The amounts recognised in the income statement in relation to the material funded schemes are included within the following categories:

	2014 £m	2013 £m
Amounts recognised in the income statement		
Cost of sales	(8)	(5)
Administration expenses	(2)	(2)
Specific items	21	-
Net finance costs	(20)	(20)
<b>Total for material funded defined benefit schemes</b>	<b>(9)</b>	<b>(27)</b>

There are also various less material unfunded arrangements for these the group does not hold related assets separate from the group.

In aggregate, other unfunded arrangements incurred £1m of cost of sales, £2m finance costs and included a £5m actuarial loss recognised in other comprehensive income.

During the year, the unfunded severance scheme liability of £13m in Saudi Arabia was re-classified from employee benefits provisions into retirement benefits obligation.

The defined benefit obligation (DBO), assets and balance sheet provisions for defined benefit schemes are as follows:

2014	DBO £m	Assets £m	Provision £m
UK	(2,222)	1,983	(239)
Netherlands	(73)	48	(25)
Other	(9)	9	-
<b>Total for material funded defined benefit schemes</b>	<b>(2,304)</b>	<b>2,040</b>	<b>(264)</b>
<b>Total provision for unfunded and other funded defined benefit schemes</b>			<b>(55)</b>
<b>Total provision for all defined benefit schemes</b>			<b>(319)</b>
2013	DBO £m	Assets £m	Provision £m
UK	(2,011)	1,562	(449)
Netherlands	(111)	88	(23)
Other	(10)	10	-
<b>Total for material funded defined benefit schemes</b>	<b>(2,132)</b>	<b>1,660</b>	<b>(472)</b>
<b>Total provision for unfunded and other funded defined benefit schemes</b>			<b>(32)</b>
<b>Total provision for all defined benefit schemes</b>			<b>(504)</b>



### UK Defined Benefit Scheme

The defined benefit scheme in the UK accounts for 91% of the net balance sheet liability for material funded defined retirement benefit schemes. It comprises three sections: the Group 4 section which is the pension scheme demerged from the former Group 4 Falck A/S, the Securicor section, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, and the GSL section responsibility for which the group assumed on 12 May 2008 with the acquisition of GSL.

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. The GSL section has historically remained open to provide a facility to accept former public-sector employees who join G4S 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 at the latest actuarial funding valuation, the participants of the UK pension scheme sections can be analysed as follows:

At 5 April 2012	Group 4 section	GSL section	Securicor section	Total
Active participants				
• Number	–	808	–	808
• Average age	–	47.1	–	47.1
Deferred participants				
• Number	4,390	1,318	9,973	15,681
• Average age	51.5	50.0	51.3	51.2
Pensioner participants				
• Number	3,024	581	8,891	12,496
• Average age	69.9	63.6	71.2	70.5

There is a mix of fixed and inflation-dependent pension increases (in payment and deferment) which vary from member to member according to their membership history and the section of the scheme.

The discounted weighted average duration of the accrued liabilities of the sections are respectively 18 years (Group 4 section), 20 years (GSL section) and 19 years (Securicor section). As at 31 December 2013 the discounted weighted average duration of the accrued liabilities of the sections were 17 years (Group 4 section), 18 years (GSL section) and 18 years (Securicor section).

The scheme is set up under UK law and governed by a Trustee company which is responsible for the scheme's investments, administration and management. The Board of the Trustee Company is comprised of an independent chairman and further independent, group and scheme membership representatives.

The current schedule of deficit recovery contributions provides for a contribution of approximately £44m during 2015. In addition, the company has pledged a share of any material disposal proceeds to the pension scheme (to be shared in the same proportion as the pension scheme deficit bears to overall group indebtedness) and has agreed that additional contributions would be made in the event that the average annual dividend payment to ordinary shareholders over the three financial years 2014, 2015, 2016 exceeds a certain threshold or in the event that the company makes a significant special dividend payment (or equivalent capital return) to its ordinary shareholders over the same period.

A funding valuation is carried out for the scheme's Trustee every three years by an independent firm of actuaries. Depending on the outcome of that valuation a schedule of future contributions is negotiated; the group has guaranteed any contributions due from its subsidiaries. The next valuation will have an effective date of 5 April 2015.

### Other material Defined Benefit Schemes

Apart from the multi-employer scheme referred to above, the group operated two material pension schemes in the Netherlands which apply to different employee populations; they are known as the Securicor Staff and Cash Solutions schemes. Both schemes define pensions in terms of average career pay, are open to new entrants and are funded in accordance with Dutch requirements.

Pension increases in the Securicor Staff scheme are conditional on the funding level and so are only required if there is a funding surplus. The Securicor scheme has a risk sharing arrangement whereby members pay 50% of the cost of the scheme but the group has opted to record 100% of the deficit as a company liability due to uncertainties as to the practicalities of applying the scheme's provisions in this respect. For example, in 2012 benefits were reduced rather than increasing members' contributions.

During 2014 the assets and past and future service liabilities of the Netherlands Securicor Staff Pension Plan were transferred to the Security Industry Wide Fund. This led to a settlement gain of €26m (£21m).

The Cash Solutions scheme is required to provide benefits at least equivalent to the industry-wide multi-employer scheme and in particular pension increases in payment and deferment, as well as revaluation of active members' rights in the Cash Solutions scheme have to follow the multi-employer scheme (which also applies a conditional approach). The Cash Solutions scheme is insured, so longevity risk on the base level of insured pension (that is before increases) is carried by the insurer and any bonuses from the insurer's returns may defray the cost of pension increases. Accordingly, there is a counterparty risk against the insurer.

**32 Retirement benefit obligations (continued)**

During the year the plan was amended to decrease the annual accrual rate from 2.00% to 1.87% for future service benefits. This resulted in a past service credit of £1m that has been recognised as a specific item in the group's consolidated income statement.

The discounted weighted average duration of the accrued liabilities of the Cash Solutions scheme is 31 years (2013: 28 years).

In 2013 the group had a material scheme in Canada. The sponsoring business sold on 17 January 2014 and the entire liabilities and assets of the scheme are now the responsibility of the purchaser.

**Expected contributions**

The estimated amounts of contributions expected to be paid to the material schemes during the financial year commencing 1 January 2015 in respect of the ongoing accrual of benefits should be approximately £6m (split £5m UK, £1m Netherlands) and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions.

**Principal risks**

The group's pension schemes create a number of risk exposures. Annual increases on benefits are, to a varying extent, from scheme to scheme, dependent on inflation, so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

A key risk is that additional contributions are required if the investment returns fall short of those anticipated when setting the contributions to the pension plans. For the UK funding valuation, those assumed investment returns (for funding valuations) are set based on fixed margins over the LIBOR swap curve. The management of the pension fund assets has been delegated to an asset manager which manages the assets against a liability benchmark. The key parameters of this mandate can be summarised as follows:

- An asset mix which is managed dynamically over time rather than a set strategic allocation
- Interest rate and inflation risk is managed with the benchmark of hedging 100% of these risks as a percentage of the asset value through the use of debt instruments (government bonds) and derivatives
- Currency risk is managed with the objective of hedging at least 70% of the overseas currency exposure in the portfolio through the use of forward foreign currency contracts

All pension schemes are regulated by the relevant jurisdictions. These include extensive legislation and regulatory mechanisms that are subject to change and may impact G4S' pension schemes.

Regarding financial reporting measures, the IAS 19 liability measurement (DBO) and the service cost are sensitive to the actuarial assumptions made on a range of demographic and financial matters that are used to project the expected benefit payments, the most important of these assumptions being about future inflation and salary growth levels and the assumptions made about life expectation. The DBO and service cost are also very sensitive to the IAS 19 discount rate, which determines the discounted value of the projected benefit payments. The discount rate depends on market yields on high-quality corporate bonds. Investment strategies are set with funding rather than IAS 19 considerations in mind and do not seek to provide a specific hedge against the IAS 19 measurement of liabilities. As a result, the difference between the market value of the assets and the IAS 19 liabilities may be volatile.

**Assumptions and sensitivities**

The weighted average principal assumptions used for the purposes of the actuarial valuations were as follows:

	UK	Netherlands
<b>Key assumptions used at 31 December 2014</b>		
Discount rate	3.7%	2.3%
Expected rate of salary increases	3.1%	1.8%
Pension increases in payment (for the UK, at RPI* with a limit of 5% p.a.)	2.8%	1.1%
Inflation	3.0%	1.8%
<b>Key assumptions used at 31 December 2013</b>		
Discount rate	4.4%	3.7%
Expected rate of salary increases	3.5%	2.0%
Pension increases in payment (for the UK, at RPI with a limit of 5% p.a.)	3.2%	1.4%
Inflation	3.4%	2.0%

\* The CPI assumption used for the UK valuation in 2014 was 2%.

IAS 19 specifies that pension liabilities should be discounted at appropriate high-quality corporate bond rates. The group considers that it is appropriate to consider AA-rated corporate bonds as high quality and therefore have used discount rates based on yields on such bonds corresponding to the liability profile of the schemes.

**Assumptions and sensitivities (continued)**

The effect of a movement in the discount rate applicable in the UK alters reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below

	Increase/(decrease) in the DBO of the UK Scheme 2014 £m	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
<b>Sensitivity analysis</b>		
Discount rate assumption being 0.5% higher	(186)	(163)
Discount rate assumption being 0.5% lower	211	181

The effect of a movement in RPI inflation applicable in the UK alters reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below

	Increase/(decrease) in the DBO of the UK Scheme 2014 £m	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
<b>Sensitivity analysis</b>		
Inflation assumption being 0.5% higher	87	79
Inflation assumption being 0.5% lower	(80)	(70)

The above sensitivities allow for inflation-dependent assumptions such as salary growth and relevant pension increases to vary corresponding to the inflation assumption variation. Due to the caps and floors on pension increases a certain movement in the inflation assumption will not generally result in the same movement in the pension increase assumption.

In addition to the above, the group uses appropriate mortality assumptions when calculating the schemes' obligations. The mortality tables used for the scheme in the UK are Birth year table SIP[M/F]A Base with future improvements in line with CMI 2013 Core projections, based on a long-term improvement rate of 1.25% p.a. and allowing for individual scaling factors based on the majority analysis carried out as part of the last funding valuation.

The resulting assumed life expectancy of a male member of the UK schemes currently aged 65 is 22 years. The assumed life expectancy at 65 of a male currently aged 52 is 23 years. At those ages, the assumed life expectancy for a female member is between 2 and 3 years longer than for a male member.

The effect of a one year change in this UK life expectancy assumption is to alter reported liabilities (before associated deferred tax adjustments) by approximately £105m (2013: £88m).

The selection of these movements to illustrate the sensitivity of the DBO to key assumptions should not be interpreted as the group expressing any specific view of the probability of such movements happening.

### 32 Retirement benefit obligations (continued)

The amounts recognised on the balance sheet in respect of the material funded defined benefit schemes and the various components of income, OCI and cash flow are as follows

2014	DBO £m	Assets £m	Provision £m
<b>Amounts recognised on the balance sheet at beginning of the year</b>	<b>(2,132)</b>	<b>1,660</b>	<b>(472)</b>
<b>Amounts recognised in income</b>			
Current service cost	(8)	–	(8)
Settlements and past service costs	80	(59)	21
Interest on obligations and assets	(92)	72	(20)
Administration costs paid from plan assets	–	(2)	(2)
<b>Total amounts recognised in income</b>	<b>(20)</b>	<b>11</b>	<b>(9)</b>
<b>Remeasurements</b>			
Actuarial loss – change in financial assumptions	(231)	–	(231)
Actuarial loss – change in demographic assumptions	(2)	–	(2)
Actuarial gain – experience	4	–	4
Return on assets in excess of interest	–	392	392
<b>Remeasurement effects recognised in OCI*</b>	<b>(229)</b>	<b>392</b>	<b>163</b>
<b>Cash</b>			
Employer contributions	–	50	50
Employee contributions	(4)	4	–
Benefits paid from plan assets	72	(72)	–
<b>Net cash</b>	<b>68</b>	<b>(18)</b>	<b>50</b>
<b>Other</b>			
Exchange rates	9	(5)	4
<b>Amounts recognised on the balance sheet at end of the year</b>	<b>(2,304)</b>	<b>2,040</b>	<b>(264)</b>

\* Total remeasurements recognised in OCI of £155m are shown net of remeasurements relating to non-controlling interests of £3m and other unfunded schemes of £5m

2013	DBO £m	Assets £m	Total £m
<b>Amounts recognised on the balance sheet at beginning of the year</b>	(2,025)	1,589	(436)
<b>Amounts recognised in income</b>			
Current service cost	(9)	–	(9)
Settlements and past service costs	1	–	1
Interest on obligations and assets	(90)	70	(20)
Administration costs paid from plan assets	–	(2)	(2)
Transfers in	(11)	14	3
<b>Total amounts recognised in income</b>	<b>(109)</b>	<b>82</b>	<b>(27)</b>
<b>Remeasurements</b>			
Actuarial loss – change in financial assumptions	(80)	–	(80)
Actuarial loss – change in demographic assumptions	(22)	–	(22)
Actuarial loss – experience	(4)	–	(4)
Return on assets in excess of interest	–	46	46
<b>Remeasurement effects recognised in OCI</b>	<b>(106)</b>	<b>46</b>	<b>(60)</b>
<b>Cash</b>			
Employer contributions	–	49	49
Employee contributions	(4)	4	–
Benefits paid from plan assets	79	(79)	–
<b>Net cash</b>	<b>75</b>	<b>(26)</b>	<b>49</b>
<b>Other</b>			
Exchange rates	2	1	3
Transfer of Canada scheme to held for sale	31	(32)	(1)
<b>Amounts recognised on the balance sheet at end of the year</b>	<b>(2,132)</b>	<b>1,660</b>	<b>(472)</b>

In 2011 G4S won the managed prisons bid in respect of HMP Birmingham and relevant employees have accrued benefits in the GSL section since 1 October 2011. New employees had the option to transfer accrued pension rights. This occurred as at 1 March 2013 and the effect of this transfer is presented in the 'Transfers in' line of the above breakdown.

The contribution from sponsoring companies in 2014 included £42m (2013: £38m) of additional contributions in respect of the deficit in the UK schemes.

**32 Retirement benefit obligations (continued)**

The composition of the scheme assets at the reporting date is as follows

	UK £m	Netherlands £m	Total £m
<b>2014</b>			
Equity	491	9	500
Bonds	351	39	390
Other	1,141	—	1,141
<b>Total</b>	<b>1,983</b>	<b>48</b>	<b>2,031</b>

	UK £m	Netherlands £m	Total £m
<b>2013</b>			
Equity	413	25	438
Bonds	63	44	107
Other	1,086	19	1,105
<b>Total</b>	<b>1,562</b>	<b>88</b>	<b>1,650</b>

A more detailed split of assets of the UK scheme at 31 December 2014 is presented in the table below

	2014 £m	2013 £m
Equity	424	367
Private equity	67	46
Government bonds	351	63
Credit	283	274
Property	57	42
Macro-oriented	278	296
Multi-strategy	55	48
Derivatives	263	15
Cash and cash equivalents	205	411
	<b>1,983</b>	<b>1,562</b>

Within the UK pension fund, the Equity, Credit, Macro-orientated and Multi-strategy sub-categories consist of pooled vehicles investing predominantly in assets with quoted prices in active markets. All government bonds are issued by the UK government and have quoted prices in active markets. Other UK investments are predominantly not quoted.

Derivatives include a range of interest rate and inflation linked swaps, forward currency contracts, equity index total return swaps, equity options, and futures. Investing in interest rate and inflation linked swaps is designed to mitigate the impact of future changes in interest rates and inflation.

None of the pension scheme assets are held in the group's own financial instruments or in any assets held or used by the group.

### 33 Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims provisions £m	Contract provisions £m	Total £m
At 1 January 2014	26	33	57	143	259
Additional provision in the year	29	33	54	53	169
Utilisation of provision	(16)	(49)	(24)	(128)	(217)
Unused amounts reversed	(3)	–	–	(5)	(8)
Transfers and reclassifications	(13)	1	2	2	(8)
Translation adjustments	–	(1)	2	(1)	–
<b>At 31 December 2014</b>	<b>23</b>	<b>17</b>	<b>91</b>	<b>64</b>	<b>195</b>
Included in current liabilities					90
Included in non-current liabilities					105
					195

#### Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees typically including items such as long service awards and termination indemnity schemes

The group's net obligation in respect of long-term service benefits other than retirement benefits represents the present value of the future benefit that employees have earned at the balance sheet date, less the fair value of scheme assets out of which the obligations are to be settled directly

During 2014 a liability of £13m relating to the severance scheme in Saudi Arabia was reclassified to retirement benefit obligations to more accurately reflect the substance of the scheme and to allow for IAS19(R) accounting

#### Restructuring

Restructuring provisions include amounts for redundancy payments and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term. In the year the group incurred restructuring costs of £29m within specific items relating to the group wide transformation and a further £4m associated with costs incurred in the normal course of business.

#### Claims provision

Claims provisions represent any outstanding litigation claims against the group that are likely to lead to the outflow of funds in the future including provisions within the captive insurance companies to cover (where appropriate) anticipated claims incurred as at the balance sheet date, based on actuarial assessments to calculate the liabilities.

Legal claims are recognised based on past experience of similar items and other known factors and represent management's best estimate of the likely outcome. In the year the group provided £21m in relation to claims on legacy acquisitions and disposals.

The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey and the US which underwrite part of the group's cash solutions, general liability, workers' compensation and auto liability policies. In the year the group provided £19m in relation to these claims. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

#### Contract provisions

Contract provisions include provisions for onerous contracts including future liabilities for loss-making contracts, for all properties sub-let at a shortfall, for the cost of replacing assets where there is a present contractual requirement and for long-term idle, leased properties. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

Contract provisions are based on the present value of future net cash outflows and includes £45m of provisions for legacy UK government contracts that were recorded in the year within specific items. The group are continuing to work with the relevant customers to recover these potential losses.

On 12 March 2014 the group announced that it had reached agreement with the UK Ministry of Justice (MoJ) on a settlement in respect of claims arising in relation to Electronic Monitoring services provided between 2005 and 2013. The agreement also concluded outstanding matters relating to two UK facilities management contracts.

The total settlement amount was £109m and is included in utilisation of provisions, having been provided for as at 31 December 2013.

#### Contingent liabilities

Contingent liabilities exist in respect of agreements entered into in the normal course of business none of which are individually or collectively significant.

**34 Deferred tax**

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2014	99	(42)	30	62	149
(Charge)/credit to the income statement	(3)	26	11	13	47
Disposal of subsidiaries	–	4	–	(19)	(15)
(Charge)/credit to equity	(32)	–	–	6	(26)
Transfers/other	–	–	–	4	4
<b>At 31 December 2014</b>	<b>64</b>	<b>(12)</b>	<b>41</b>	<b>66</b>	<b>159</b>
At 1 January 2013 – restated	104	(61)	28	56	127
(Charge)/credit to the income statement	(5)	20	2	15	32
Acquisition of subsidiaries	–	(3)	–	2	(1)
Credit to equity	–	–	–	(4)	(4)
Translation adjustments	–	2	–	(4)	(2)
Transfers/other	–	–	–	(3)	(3)
<b>At 31 December 2013 – restated</b>	<b>99</b>	<b>(42)</b>	<b>30</b>	<b>62</b>	<b>149</b>

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset)

	2014 £m	2013 Restated £m
Deferred tax liabilities	(17)	(45)
Deferred tax assets	176	184
Net deferred tax asset included in held for sale	–	10
<b>Total deferred tax position</b>	<b>159</b>	<b>149</b>

At 31 December 2014, the group had unutilised tax losses of approximately £771m (2013 £705m) potentially available for offset against future profits. A deferred tax asset of £41m (2013 £30m) has been recognised in respect of approximately £166m (2013 £120m) of gross losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining £605m (2013 £585m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £19m which will expire between 2015 and 2024. Other losses may be carried forward indefinitely.

At 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,102m (2013 £1,220m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2014, the group had total unprovided contingent tax liabilities of approximately £53m (2013 £58m) relating to unresolved tax issues in various jurisdictions.



### 35 Share capital

G4S plc	2014 £	2013 £
Issued and fully paid ordinary shares of 25p each	387,898,609	387,898,609
<b>Ordinary shares in issue</b>	<b>2014 Number</b>	<b>2013 Number</b>
At 1 January 2014	1,551,594,436	1,410,668,639
New shares issued for cash	–	140,925,797
<b>At 31 December 2014</b>	<b>1,551,594,436</b>	<b>1,551,594,436</b>

In August 2013 the group issued 140,925,797 ordinary shares as a result of the 9.99% placing. The group received gross proceeds of £348m and paid related costs of £5m.

### 36 Other reserves

	Hedging reserve £m	Translation reserve £m	Merger reserve £m	Reserve for own shares £m	Total other reserves £m
At 1 January 2014	(21)	(59)	734	(18)	636
Total comprehensive loss attributable to equity shareholders of parent	(31)	(5)	–	–	(36)
Transfer to retained earnings	–	–	(308)	–	(308)
Recycling of translation reserves on disposal	–	(13)	–	–	(13)
<b>At 31 December 2014</b>	<b>(52)</b>	<b>(77)</b>	<b>426</b>	<b>(18)</b>	<b>279</b>
At 1 January 2013 – restated	(34)	50	426	(20)	422
Total comprehensive income/(loss) attributable to equity shareholders of parent	13	(109)	–	–	(96)
Shares issued	–	–	308	–	308
Own shares awarded	–	–	–	2	2
<b>At 31 December 2013 – restated</b>	<b>(21)</b>	<b>(59)</b>	<b>734</b>	<b>(18)</b>	<b>636</b>

Other reserves include

#### Hedging reserve

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

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the company's net investment in foreign operations (net of tax).

#### Merger reserve

The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the group in 2004. In accordance with Section 612 of the Companies Act 2006 the £308m premium on ordinary shares issued in the group's 9.99% share placement in August 2013 was initially recorded in the merger reserve and has subsequently been transferred to retained earnings.

#### Reserve for own shares

An employee benefit trust established by the group held 6,408,450 shares at 31 December 2014 (2013: 6,934,564 shares) to satisfy the vesting of awards under the performance share plan and performance-related schemes. During the year no shares were purchased by the trust, whilst 526,114 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2014, the cost of shares held by the trust was £17,060,185 (2013: £18,460,753), whilst the market value of these shares was £17,809,083 (2013: £18,203,231). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

### 37 Analysis of net debt

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

	2014 £m	2013 Restated £m
Cash and cash equivalents	409	532
Investments	60	39
Net cash and overdrafts included within assets held for sale	–	15
Net debt included within assets held for sale	(1)	(17)
Bank overdrafts	(18)	(9)
Bank loans	(165)	(167)
Loan notes	(1,899)	(1,982)
Obligations under finance leases	(40)	(52)
Fair value of loan note derivative financial instruments	76	89
<b>Total net debt</b>	<b>(1,578)</b>	<b>(1,552)</b>

An analysis of movements in net debt in the year is presented below:

	2014 £m	2013 Restated £m
(Decrease)/increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	(136)	127
(Purchase)/sale of investments	17	(13)
<b>Movement in debt and lease financing</b>	<b>110</b>	<b>197</b>
Change in net debt resulting from cash flows	(9)	311
Borrowings acquired with subsidiaries	–	(4)
Net additions to finance leases	(9)	(12)
<b>Movement in net debt in the year</b>	<b>(18)</b>	<b>295</b>
Translation adjustments	(8)	(18)
<b>Net debt at the beginning of the year</b>	<b>(1,552)</b>	<b>(1,829)</b>
<b>Net debt at the end of the year</b>	<b>(1,578)</b>	<b>(1,552)</b>

### 38 Operating lease arrangements

#### The group as lessee

As at 31 December 2014, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows

	2014 £m	2013 Restated £m
Within one year	105	121
In the second to fifth years inclusive	231	285
After five years	151	198
<b>Total operating lease commitments</b>	<b>487</b>	<b>604</b>

The group leases a number of its office properties vehicles and other operating equipment under operating leases. Property leases are negotiated over an average term of eight years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of four years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £6m (2013: £10m).

### 39 Share based payments

In June 2014 a new long-term incentive plan replaced the previous performance share plan (the performance share plans), as detailed in the Directors' remuneration report from page 70. Shares allocated conditionally fall under either the group's performance share plans or the group's performance-related bonus scheme. Shares allocated conditionally under the performance-related bonus scheme vest three years following the date of grant provided certain non-market performance conditions are met. Those allocated under the group's performance share plans vest after three years, to the extent that (a) certain non-market performance conditions are met and (b) certain market performance conditions are met. The proportion of the allocation of awards to these criteria is described in the remuneration report. Vesting occurs on the third anniversary of the date the shares were allocated conditionally.

The number of shares allocated conditionally is as follows:

	Performance-related bonus scheme 2014 Number	Share award 2014 Number	Total 2014 Number	Performance related bonus scheme 2013 Number	Share award 2013 Number	Total 2013 Number
Outstanding at 1 January	375,734	16,033,822	16,409,556	812,200	15,589,225	16,401,425
Allocated during the year	275,928	8,739,114	9,015,042	58,026	7,385,392	7,443,418
Transferred during the year	(388,305)	(137,809)	(526,114)	(494,492)	(161,948)	(656,440)
Forfeited during the year	(25,863)	(2,219,929)	(2,245,792)	–	(2,546,129)	(2,546,129)
Expired during the year	–	(5,018,721)	(5,018,721)	–	(4,232,718)	(4,232,718)
Outstanding at 31 December	237,494	17,396,477	17,633,971	375,734	16,033,822	16,409,556

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2014 was 17 months (2013: 16 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 240.3p (2013: 291.7p) and the contractual life of all conditional allocations was three years.

Under the group's performance share plans, the vesting of 30% (2013: 50%) of the shares allocated conditionally depends upon Total Shareholder Return (a market performance condition) over the vesting year measured against a comparator group. 25% of the allocation vests upon the group's Total Shareholder Return equalling median performance amongst the comparator group. The fair value of the shares allocated subject to this market performance condition has therefore been reduced by 75%.

The income statement is charged with an estimate for the vesting of shares conditionally awarded subject to non-market performance conditions. The charge for 2014 was £5m (2013: £nil).

#### 40 Related party transactions

##### Transactions and balances with joint ventures and associated undertakings

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

Transactions with joint ventures included revenue recorded of £48m (2013 restated £43m). Amounts due to related parties include £30m (2013 restated £25m) to joint ventures and £2m (2013 restated £2m) to associates. Amounts due from related parties include £37m (2013 restated £30m) from joint ventures and £1m (2013 restated £nil) from associates.

No expense has been recognised in the year for bad and doubtful debts in respect of amounts owed by related parties.

The group has a legal interest in a number of joint ventures and joint arrangements where the economic interest was divested by the Global Solutions Group prior to its acquisition by G4S plc in 2008. Transactions with these entities during the year comprised:

	2014 Services/sales to £m	2013 Services/sales to £m
White Horse Education Partnership Limited	2	2
Integrated Accommodation Services plc	48	39
Fazakerley Prison Services Limited	36	33
Onley Prison Services Limited	15	14
ECD Cookham Wood Limited	12	12
ECD Onley Limited	13	13
Stratus Integrated Services Limited	8	8
UK Court Services (Manchester) Limited	2	2
East London Lift Company Limited	1	1
<b>Total</b>	<b>137</b>	<b>124</b>

The group had outstanding balances of £14m (2013 £9m) with these entities as at 31 December 2014.

##### Transactions with post-employment benefit schemes

Details of transactions with the group's post-employment benefit schemes are provided in note 32. Unpaid contributions owed to schemes amounted to £0.5m at 31 December 2014 (2013 £0.5m).

##### Transactions with other related parties

In the normal course of the group's business the group provides services to and receives services from certain non-controlling interests on an arm's length basis.

##### Remuneration of key management personnel

The group's key management personnel are deemed to be the non-executive directors and those individuals, including the executive directors, whose remuneration is determined by the Remuneration Committee. Their remuneration is set out below. Further information about the remuneration of individual directors included within key management personnel is provided in the audited part of the Directors' Remuneration Report on pages 70 to 84.

	2014 £	2013 £
Short-term employee benefits	10,813,463	10,887,469
Post-employment benefits	155,178	217,937
Other long-term benefits	48,087	56,682
Share-based payment	2,886,813	931,197
<b>Total</b>	<b>13,903,541</b>	<b>12,093,285</b>

#### 41 Events after the balance sheet date

In January 2015 the revolving credit facility was refinanced. The new facility is £1,000 million and matures in January 2020, with two one year extension options exercisable with majority lending bank consent on the facility's first and second anniversary. If exercised the maturity date would extend to January 2021 and January 2022 respectively.

No other significant post-balance sheet events have affected the group since 31 December 2014.

## 42 Significant investments

The companies listed below are those which were part of the group at 31 December 2014 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole. A comprehensive list of all subsidiaries will be disclosed as an appendix to the group's annual return.

The principal activities of the companies listed below are indicated according to the following key:

Secure solutions	S
Cash solutions	C

These businesses operate principally in the country in which they are incorporated.

	Product segment	Country of incorporation	Ultimate ownership
<b>Subsidiary undertakings</b>			
G4S Soluciones de Seguridad S.A.	S	Argentina	75%
G4S Australia Pty Limited	S	Australia	100%
G4S Custodial Services Pty Limited	S	Australia	100%
G4S Secure Solutions AG (Austria)	S	Austria	100%
G4S Secure Solutions SA/NV	S	Belgium	100%
G4S Cash Solutions (Belgium) NV	C	Belgium	100%
G4S Interativa Service Ltda	S	Brazil	100%
Vanguarda Segurança e Vigilância Ltda	S	Brazil	100%
G4S Secure Solutions (Canada) Limited	S	Canada	100%
G4S Security Services Regiones S.A.	S	Chile	100%
G4S Secure Solutions Colombia S.A.	S+C	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Aviation Services (UK) Limited	S	England	100%
G4S Care and Justice Services (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Solutions (UK) Limited	C	England	100%
G4S Facilities Management (UK) Limited	S	England	100%
G4S Risk Management Limited	S	England	100%
G4S Secure Solutions (UK) Limited	S	England	100%
G4S Security Services (UK) Limited	S	England	100%
G4S Utility and Outsourcing Services (UK) Limited	S	England	100%
AS G4S Baltics	S+C	Estonia	100%
G4S Security Services Oy	S	Finland	100%
G4S Keszpenzlogisztikai Kft	C	Hungary	100%
G4S Secure Solutions (India) Pvt. Limited <sup>1, 3</sup>	S	India	49%
G4S Secure Solutions (Ireland) Limited	S	Ireland	100%
G4S Secure Solutions (Israel) Limited	S	Israel	92%
G4S Security Technologies (Israel) Limited	S	Israel	100%
G4S Kenya Limited	S+C	Kenya	100%
G4S Security Solutions S.A.R.L.	S+C	Luxembourg	100%
Safeguards G4S Sdn Bhd <sup>2, 3</sup>	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
G4S Beheer BV	S	Netherlands	100%
G4S Peru S.A.C.	S+C	Peru	100%
Al Majal Service Master LLC	S	Saudi Arabia	49%
G4S Cash Solutions (SA) (Pty) Limited	C	South Africa	75%
G4S Secure Solutions (SA) (Pty) Limited	S	South Africa	72%
G4S Secure Solutions (Thailand) Limited	S	Thailand	100%
G4S Secure Solutions (USA) Inc	S	USA	100%
G4S Technology LLC	S	USA	100%
G4S Youth Services LLC	S	USA	100%

<sup>1</sup> G4S Secure Solutions (India) Pvt. Limited has a year end of 31 March

<sup>2</sup> Safeguards G4S Sdn Bhd has a year end of 30 June

<sup>3</sup> By virtue of shareholder agreements, options, pre-emption rights and other contractual arrangements, the group has the power to govern the financial and operating policies so as to obtain the benefits from the activities of these companies. These are therefore consolidated as full subsidiaries.

# Parent company balance sheet

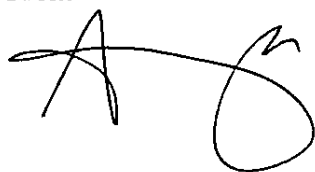
At 31 December 2014

	Notes	2014 £m	2013 £m
<b>Fixed assets</b>			
Intangible assets	(b)	9	11
Investments	(c)	3,045	3,055
		<b>3,054</b>	<b>3,066</b>
<b>Current assets</b>			
Debtors	(d)	2,898	2,992
Cash at bank and in hand		1	56
		<b>2,899</b>	<b>3,048</b>
<b>Creditors – amounts falling due within one year</b>			
Bank overdraft (unsecured)		–	(5)
Borrowings (unsecured)	(e)	(96)	(61)
Other creditors	(f)	(2,931)	(2,856)
		<b>(3,027)</b>	<b>(2,922)</b>
<b>Net current assets</b>		<b>(128)</b>	<b>126</b>
<b>Total assets less current liabilities</b>		<b>2,926</b>	<b>3,192</b>
<b>Creditors – amounts falling due after more than one year</b>			
Borrowings (unsecured)	(e)	(943)	(1,040)
<b>Net assets</b>		<b>1,983</b>	<b>2,152</b>
<b>Capital and reserves</b>			
Called up share capital	35	388	388
Share premium and reserves	(i)	1,595	1,764
<b>Equity shareholders' funds</b>		<b>1,983</b>	<b>2,152</b>

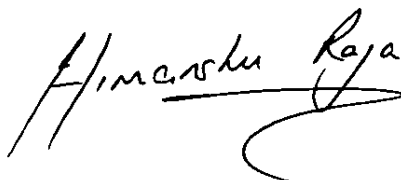
The parent company financial statements were approved by the board of directors and authorised for issue on 26 March 2015

They were signed on its behalf by

Ashley Almanza  
Director



Himanshu Raja  
Director



## Parent company reconciliation of movement in equity shareholders' funds

For the year ended 31 December 2014

	2014 £m	2013 £m
(Accumulated loss)/retained profit for the year	(43)	15
Changes in fair value of hedging derivatives	8	(8)
Shares issued	–	343
Dividends declared	(138)	(130)
Equity settled transactions	5	–
Tax on equity movements	(1)	2
Net (decrease)/increase in shareholders' funds	(169)	222
Opening equity shareholders' funds	2,152	1,930
Closing equity shareholders' funds	1,983	2,152

## Notes to the parent company financial statements

### (A) Significant accounting policies

#### Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with applicable United Kingdom Accounting Standards (UK GAAP).

The financial statements have been prepared under the going concern basis.

#### Exemptions

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The cash flows of the company are included within its consolidated financial statements.

The company is also exempt under the terms of the revised FRS 8 'Related Party Disclosures' from disclosing related party transactions with wholly owned subsidiaries within the group.

#### Intangible fixed assets

Intangible fixed assets are stated at cost net of accumulated amortisation and any provision for impairment. Intangible fixed assets are amortised on a straight-line basis over their expected economic life. Software is amortised over periods up to a maximum of eight years.

#### Fixed asset investments

Fixed asset investments, which comprise investments in subsidiary undertakings, are stated at cost less amounts written off.

#### Financial instruments

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

#### External debtors

Debtors do not carry interest and are stated initially at their fair value. The company provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.

#### Cash at bank and in hand and bank overdrafts

Cash at bank and in hand and bank overdrafts comprise cash balances and call deposits.

#### Interest-bearing borrowings

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

#### External creditors

Creditors are not interest-bearing and are stated initially at their fair value.

#### Amounts owed to/from subsidiary undertakings

Amounts owed to/from subsidiary undertakings bear interest at prevailing market rates.

#### Equity instruments

Equity instruments issued by the company are recorded at the value of proceeds received, net of direct issue costs.

#### Derivative financial instruments and hedge accounting

In accordance with its treasury policy the company only holds or issues derivative financial instruments to manage the group's exposure to financial risk not for trading purposes. Such financial risk includes the interest risk on the group's variable-rate borrowings, the fair value risk on the group's fixed-rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The company manages these risks through a range of derivative financial instruments, including interest rate swaps, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the balance sheet as financial assets or liabilities at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account, unless they qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below.

#### Fair value hedge

The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the profit and loss account.

#### Cash flow hedge

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 profit and loss account when the hedged cash flow impacts the profit and loss account. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the profit and loss account.



### Foreign currencies

The financial statements of the company are presented in sterling, its functional currency. Transactions in currencies other than sterling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the profit and loss account.

### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

### Pensions

The company participates in multi-employer pension schemes in the UK, which provide benefits based on final pensionable pay. The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. In accordance with FRS 17 'Retirement Benefits', the company treats the schemes as if they were defined contribution schemes and recognises charges as and when contributions are due to the scheme. Details of the schemes are included in note 32 to the consolidated financial statements.

### Share-based payments

The company grants equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed with a corresponding increase in equity on a straight-line basis over the vesting period based on the company's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

### Developments expected in future accounting periods

FRS 100 'Application of Financial Reporting Standards', FRS 101 'Reduced Disclosure Framework' and FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. FRS 100 sets out the application of financial reporting requirements in the UK and Republic of Ireland and FRS 101 'IFRS with reduced disclosures' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. FRS 102 is applicable in the UK and Republic of Ireland and is known as 'new UK GAAP'. The mandatory effective date for the new framework of reporting is for accounting periods beginning on or after 1 January 2015. In the absence of material objections, the company intends to adopt FRS 101 ('IFRS with reduced disclosures').

### Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid. Dividends proposed but not declared are not recognised but are disclosed in the notes to the consolidated financial statements.

### Financial guarantees

The company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group. The company considers these to be insurance arrangements and accounts for them as such. The company therefore treats such contracts as a contingent liability unless and until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### Own shares held by employee benefit trust

Transactions of the company-sponsored employee benefit trust are included in the parent company financial statements. In particular, the trust's purchases of shares in the company are debited directly to equity.

## Notes to the parent company financial statements *continued*

### (B) Intangible fixed assets

	Software £m
<b>Cost</b>	
At 1 January 2014	13
At 31 December 2014	13
<b>Amortisation</b>	
At 1 January 2014	(2)
Amortisation charge	(2)
At 31 December 2014	(4)
<b>Net book value</b>	
At 1 January 2014	11
At 31 December 2014	9

### (C) Fixed asset investments

The following are included in the net book value of fixed asset investments

Subsidiary undertakings	Total £m
<b>Shares at cost</b>	
At 1 January 2014	3,055
Additions	19
Impairments	(29)
At 31 December 2014	3,045

The impairment within the carrying value of investments in the year is primarily due to a reduction in the net asset value of certain subsidiary undertakings

Full details of significant investments held by the parent company and the group are detailed in note 42 to the consolidated financial statements

### (D) Debtors

	2014 £m	2013 £m
Amounts owed by group undertakings	2,807	2,918
Other taxation and social security costs	1	–
Other debtors	6	8
Derivative financial instruments at fair value	84	66
<b>Total debtors</b>	<b>2,898</b>	<b>2,992</b>

Included within derivative financial instruments at fair value is £53m due after more than one year (2013 £52m)

See note (g) for further details

Included in other debtors is £1m (2013 £1m) with regard to deferred tax comprised as follows

	2014 £m	2013 £m
Timing differences in relation to the performance share plan and deferred share awards	1	–
Changes in fair value of hedging derivatives	–	1
<b>Total deferred tax</b>	<b>1</b>	<b>1</b>

The reconciliation of deferred tax balances is as follows

	Total £m
At January 2014	1
Credited to profit and loss in relation to the performance share plan and deferred share awards	1
Charged to equity in relation to changes in fair value of hedging derivatives	(1)
At 31 December 2014	1

**(E) Borrowings (unsecured)**

	2014 £m	2013 £m
Sterling	422	419
Euro	–	37
US dollar	617	645
<b>Total unsecured borrowings</b>	<b>1,039</b>	<b>1,101</b>

The payment profile of the unsecured borrowings is as follows

	2014 £m	2013 £m
Repayable within one year	96	61
Repayable within two to five years	813	469
Repayable after five years	130	571
<b>Total unsecured borrowings</b>	<b>1,039</b>	<b>1,101</b>

Undrawn committed facilities mature as follows

	2014 £m	2013 £m
Within one year	998	–
Within two to five years	–	965
<b>Total undrawn committed facilities</b>	<b>998</b>	<b>965</b>

Borrowings, £1,039m, consist entirely of fixed rate loan notes (2013 £1,064m). The loan notes issued in July 2008 (with the exception of £44m) are stated at amortised cost. The loan notes issued in March 2007, £44m of the loan notes issued in July 2008 and the loan notes issued in May 2009 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship. US\$200m (£128m) of the loan notes issued in July 2008 have a fair value market gain of £28m (2013 £21m). The fair value of the remaining notes approximates to their book value.

The management of interest rate risk is detailed in note (h). There were no financial liabilities upon which no interest is paid.

**(F) Other creditors**

	2014 £m	2013 £m
<b>Amounts falling due within one year</b>		
Amounts owed to group undertakings	2,903	2,821
Other taxation and social security costs	–	4
Other creditors	2	1
Accruals and deferred income	15	29
Derivative financial instruments at fair value	11	1
<b>Total creditors – amounts falling due within one year</b>	<b>2,931</b>	<b>2,856</b>

## Notes to the parent company financial statements *continued*

### (G) Derivative financial instruments

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Cross currency swaps designated as cash flow hedges	28	21	–	–
Interest rate swaps designated as cash flow hedges	–	–	–	1
Interest rate swaps designated as fair value hedges	56	45	11	–
	84	66	11	1
Less amounts falling due after more than one year	(53)	(52)	–	–
Amounts falling due within one year	31	14	11	1

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations

The mark to market valuation of the derivatives has increased by £8m (2013 decreased £33m) during the year

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	–	–	1
In the second year	–	15	–	–
In the fourth year	7	–	–	–
In the fifth year or greater	–	6	–	–
Total carrying value	28	21	–	1

Projected settlement of cash flows (including accrued interest) associated with derivatives

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	–	–	1
In the second year	–	16	–	–
In the fourth year	7	–	–	–
In the fifth year or greater	–	5	–	–
Total cash flows	28	21	–	1

### (H) Financial risk

#### Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated financial statements in sterling and as a consequence is subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company together with G4S International Finance plc hedges a substantial portion of the group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies. Translation adjustments arising on the translation of foreign currency loans are recognised in the profit and loss account.

Cross currency swaps with a nominal value of £101m were arranged to hedge the foreign currency risk on US\$200m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value on this portion of debt at an exchange rate of 1.9750.

Assuming a 1% appreciation of sterling against the US dollar the fair value net gain on the cross currency swaps which hedge part of the currency loan notes would be expected to fall by £1m.

#### Interest rate risk and interest rate swaps

The company is exposed to interest rate risk, which the company manages within policy limits approved by the directors. When fixed/floating interest rate debt in the preferred mix is unavailable directly from investors interest rate swaps are utilised to create the desired blend and meet Treasury policy, with the proportion of fixed interest rate held reducing on a sliding scale over forward periods up to a maximum of five years. The quantity of interest rate swaps outstanding in the company is expected to continue to decline as Treasury activity is increasingly conducted by G4S International Finance plc.

## (H) Financial risk (continued)

The US Private Placement market is predominantly a fixed rate market with investors preferring a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the group was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is LIBOR + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008 and the GBP public notes issued in May 2009, was initially kept at fixed rate. In April 2014, the interest rate on £44m of the US Private Placement notes issued in July 2008 and on all the GBP public notes issued in May 2009 was swapped from fixed to floating for a period of three years using derivatives.

The GBP public notes have a coupon step up of 1.25% which is triggered should the credit rating of G4S plc fall below investment grade.

The core company borrowings are held in US dollar and sterling. Although the impact of rising interest rates is largely shielded by fixed rate loans, some interest rate risk remains on the element swapped to floating. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2014 debt position constant throughout 2015, would lead to an expectation of an additional interest charge of £7m in the 2015 financial year.

### Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. The company acts as a market intermediary, arranging commodity swaps and commodity options with its relationship banks with back to back deals on identical terms with its subsidiaries to fix synthetically part of the exposure and reduce the associated cost volatility. The company will no longer perform this market intermediary role from January 2015.

### Counterparty credit risk

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

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

Treasury transactions are dealt with the company's relationship banks, all of which have a strong investment grade rating. At 31 December 2014 the largest two counterparty exposures relating to treasury transactions were £33m and £20m and both were held with institutions with a long-term Standard & Poor's credit rating of A. These exposures represent 45% (2013: 42%) and 27% (2013: 30%) of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date. Both of these banks had significant loan commitments outstanding to G4S plc at 31 December 2014.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an A rated bank. There is legal right of set off under the pooling agreement.

## (I) Share premium and reserves

	Share premium £m	Merger reserve £m	Profit and loss account £m	Own shares £m	Total £m
At January 2014	258	308	1,216	(18)	1,764
Accumulated loss	—	—	(43)	—	(43)
Changes in fair value of hedging derivatives	—	—	8	—	8
Dividends declared	—	—	(138)	—	(138)
Own shares awarded	—	—	3	2	5
Tax on equity movements	—	—	(1)	—	(1)
Transfer	—	(308)	308	—	—
At 31 December 2014	258	—	1,353	(16)	1,595

In 2013 the £308m addition to the merger reserve resulted from the group's 9.99% share placement in August 2013. In accordance with section 612 of the Companies Act 2006 the £308m premium on ordinary shares has been transferred to the profit and loss account.

Included in the company profit and loss account is £258m (2013: £443m) of realised distributable reserves.

**(J) Auditor's remuneration**

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in its individual accounts because the company's consolidated financial statements are required to disclose such fees on a consolidated basis

**(K) Share-based payments**

The group has one type of equity-settled, share-based payment scheme in place being the conditional allocations of G4S plc shares. An employee benefit trust established by the group holds shares to satisfy the vesting of conditional allocation awards. Reserve for own share disclosures relevant to the company are presented within note 36 to the consolidated financial statements. Share-based payments disclosures relevant to the company are presented within note 39 to the consolidated financial statements.

**(L) Related party transactions**

Certain disclosures relevant to the company are presented within note 40 to the consolidated financial statements. Company transactions with group undertakings primarily consist of royalty charges, central service charges, group insurance recharges and loan transactions.

There were no material transactions with non-wholly owned group undertakings in 2014 (2013: none).

**(M) Contingent liabilities**

To help secure cost effective finance facilities for its subsidiaries, the company issues guarantees to some of its finance providers. At 31 December 2014 guarantees totalling £370m (2013: £479m) were in place in support of such facilities.

The company also guarantees the debt obligations of G4S International Finance plc. At 31 December 2014 contingent liabilities of £956m (2013: £1,012m) were outstanding in support of such debt obligations.

The company is included in a group registration for UK VAT purposes and is therefore jointly and severally liable for all other UK group companies' unpaid debts in this connection. The liability of the UK group registration at 31 December 2014 totalled £14m (2013: £17m).

## Notice of Annual General Meeting

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial advisor. If you have sold or otherwise transferred all your shares in G4S plc, please send this notice and the accompanying documents to the person through whom the sale or transfer was effected so that it can be passed on to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of G4S plc will be held at The Platinum Suite, ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL on Thursday, 4 June 2015 at 11.00 am in order to consider and, if thought fit, to pass the following Resolutions:

Resolutions 1 to 15 and Resolution 18 will be proposed as ordinary resolutions. Resolutions 16, 17 and 19 will be proposed as special resolutions.

#### Report and Accounts

- 1 To receive the financial statements of the company for the year ended 31 December 2014 and the reports of the directors and auditor thereon.

#### Remuneration

- 2 To approve the Directors' Remuneration Report other than the part containing the summary of the Directors' Remuneration Policy, as set out in the company's annual report and accounts for the year ended 31 December 2014.

#### Dividend

- 3 To declare a final dividend for the year ended 31 December 2014 of 5.82p (DKK 0.6041) for each ordinary share in the capital of the company.

#### Directors

- 4 To re-elect Ashley Almanza as a director.
- 5 To re-elect John Connolly as a director.
- 6 To re-elect Adam Crozier as a director.
- 7 To re-elect Mark Elliott as a director.
- 8 To re-elect Winnie Kin Wah Fok as a director.
- 9 To re-elect Himanshu Raja as a director.
- 10 To re-elect Paul Spence as a director.
- 11 To re-elect Clare Spottiswoode as a director.
- 12 To re-elect Tim Weller as a director.

#### Auditor

- 13 To appoint PricewaterhouseCoopers LLP as auditor of the company to hold office until the conclusion of the next Annual General Meeting of the company.
- 14 To authorise the audit committee of the board to determine the remuneration of the auditor.

### Directors' Authority to Allot

- 15 That the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the company to allot shares in the company or grant rights to subscribe for, or convert any security into, shares in the company:

- (i) up to an aggregate nominal amount of £129,299,000, and
- (ii) comprising equity securities (as defined in section 560 of the Act) up to a further aggregate nominal amount of £129,299,000 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter,

provided that this authority shall expire on the date of the next Annual General Meeting of the company save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired, and all unexpired authorities granted previously to the directors to allot relevant securities under section 551 of the Act shall cease to have effect at the conclusion of this Annual General Meeting (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this Resolution which would or might require shares to be allotted or rights to be granted on or after that date).

- 16 That the directors be and are hereby empowered pursuant to section 570 of the Act, subject to the passing of Resolution 15 above, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 15 above as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (i) the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under paragraph (ii) of Resolution 15 above, by way of rights issue only) to or in favour of the holders of shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the shareholders are proportionate (as nearly as may be practicable) to the respective numbers of shares held by them on any such record date(s), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter, and

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities pursuant to the authority granted under Resolution 15(i) above up to a maximum nominal amount of £38,788,000

and shall expire on the expiry of the authority conferred by Resolution 15 above unless previously renewed, varied or revoked by the company in general meeting, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors shall be entitled to allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired

All previous unutilised authorities under section 570 of the Act shall cease to have effect at the conclusion of this Annual General Meeting

#### Authority to Purchase Own Shares

- 17 That the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company on such terms and in such manner as the directors may from time to time determine, provided that

- (i) the maximum number of such shares which may be purchased is 155,159,000,
- (ii) the minimum price which may be paid for each such share is 25p (exclusive of all expenses),
- (iii) the maximum price which may be paid for each such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of expenses) and
- (iv) this authority shall, unless previously revoked or varied, expire at the conclusion of the Annual General Meeting of the company to be held in 2016 (except in relation to the purchase of such shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry)

#### Authority to Make Political Donations

- 18 That in accordance with sections 366 and 367 of the Act, the company and all companies which are subsidiaries of the company during the period when this Resolution 18 has effect be and are hereby unconditionally authorised to

- (i) make political donations to political parties or independent election candidates not exceeding £50,000 in total,
- (ii) make political donations to political organisations other than political parties not exceeding £50,000 in total, and
- (iii) incur political expenditure not exceeding £50,000 in total, (as such terms are defined in the Act) during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the next Annual General Meeting

of the company provided that the authorised sum referred to in paragraphs (i), (ii) and (iii) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier on the day in which the company enters into any contract or undertaking in relation to the same

#### Notice Period for General Meetings Other Than AGMs

- 19 That a general meeting of the company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice

By order of the board

**Peter David**

Company Secretary

26 March 2015

The Manor  
Manor Royal  
Crawley  
West Sussex RH10 9UN  
Company No 4992207

#### Notes

- 1 Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice or will have been sent to you separately by post unless you have elected to receive shareholder communications electronically. Proxy instructions may also be given by using the registrar's share portal at [www.capitashareportal.com](http://www.capitashareportal.com)
- 2 Details of how to appoint a proxy are set out in the notes to the proxy form. In order to be valid, an appointment of proxy must be returned with any power of attorney or any other authority under which it is executed, by one of the following methods: in hard copy form by post to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, in hard copy form to that address by courier or by hand during usual business hours; or, in the case of CREST members, by utilising the CREST electronic proxy appointment service as described in paragraphs 8 and 9 below. In each case the form of proxy must be received by the company no later than 11.00 am on 2 June 2015. To change your proxy instructions you may return a new proxy appointment using the method set out above. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Persons listed on the VP Securities register should follow the instructions on their Voting Request Form.



- 3 The return of a completed proxy form, other such instrument or any CREST Proxy Instruction will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so
- 4 Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights
- 5 The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the company
- 6 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the company of the votes they may cast), shareholders must be registered in the Register of Members of the company at 5.30pm on 2 June 2015 (or in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting
- 7 As at 25 March 2015 (being the latest practicable date prior to the publication of this Notice) the company's issued share capital consisted of 1,551,594,436 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 25 March 2015 was 1,551,594,436
- 8 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf
- 9 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00am on 2 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means
- 10 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings
- 11 The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001
- 12 Voting on all Resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are to be counted according to the number of shares held. As soon as practicable following the Annual General Meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and also placed on the company's website [www.g4s.com](http://www.g4s.com)
- 13 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares
- 14 Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting, or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under section 527 of the Act to publish on a website

- 15 Any shareholder attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
- 16 Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the company (i) to give, to members of the company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting, and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A resolution may properly be moved or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the company not later than 22 April 2015, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
- 17 A copy of this notice, and other information required by section 311A of the Act, can be found at [www.g4s.com](http://www.g4s.com)
- 18 Any electronic address or web site address is provided in this Notice of Meeting solely for the purpose stated expressly herein and may not be used to communicate with the company other than for such purpose. Notwithstanding any telephone number, fax number or email address that appears on this document or elsewhere, neither the company nor Capita Asset Services will accept voting instructions received via media other than by post, courier or hand, or by CREST Proxy Instruction in accordance with the notes above.
- 19 An explanation of the Resolutions is given in the Recommendation and Explanatory Notes to the Resolutions which are set out after the Important Information about Attending the Annual General Meeting.

### **Important Information about Attending the Annual General Meeting**

If you are a shareholder and you have received an admission card you should bring it with you if you wish to attend the Annual General Meeting. If you do not have an admission card you should bring photographic proof of identity.

If you are attending as a proxy of a shareholder, your appointment as a proxy must be with our registrar, Capita Asset Services, no later than 11.00 am on 2 June 2015. If you are attending as a representative of a corporate shareholder, you must bring a currently dated corporate letter of representation as evidence of your entitlement to attend on behalf of that corporate shareholder. In either case you should bring photographic proof of identity and evidence of your appointment to represent that shareholder, including their admission card if possible. If you hold your shares through a nominee, you must bring photographic proof of identity and evidence of your share ownership in the form of a currently dated letter from your nominee.

The Annual General Meeting is a private meeting of the shareholders and their properly authorised representatives. Guests are not entitled to attend the meeting as of right but they may be permitted entry at the absolute discretion of the company. Shareholders wishing to bring a guest must notify the company in advance by contacting the registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU ([shareholdersenquiries@capita.co.uk](mailto:shareholdersenquiries@capita.co.uk)) who will advise of the company's decision on the request. Any permitted guests will be required to bring photographic proof of identity and to enter the meeting venue at the same time as the shareholder.

Behaviour that may interfere with anyone's security or safety or the good order of the meeting will not be permitted. Security checks will be carried out on those attending the meeting. Please arrive in good time before the meeting commences to allow sufficient time for checks to be carried out. Those wishing to attend should be prepared to have any bags or briefcases inspected. Please do not bring suitcases, large bags or rucksacks. If you do you may be asked to leave them in the cloakroom.

Cameras, recording equipment and electronic communication equipment (including mobile phones, tablets and laptops) will not be permitted in the meeting. There will be secure storage facilities available where mobile phones and other small items of personal equipment may be deposited.

## Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 4 June 2015

The board of G4S plc considers that the Resolutions set out in the Notice of Annual General Meeting are likely to promote the success of the company and are in the best interests of the company and its shareholders as a whole. The directors unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings.

Explanatory notes in relation to the business to be conducted at the Annual General Meeting are set out below.

The ordinary resolutions (Resolutions 1 to 15 and 18) will be passed if there are more votes cast for the resolution than those cast against it. The special resolutions (Resolutions 16, 17 and 19) will be passed if at least 75% of the votes cast for and against the resolution are in favour.

### 1 Financial statements of the company (Resolution 1)

The chairman will present the financial statements of the company for the year ended 31 December 2014 and the reports of the directors and auditor thereon to the Annual General Meeting.

### 2 Remuneration (Resolution 2)

Resolution 2 is the resolution to approve the directors' remuneration report, other than the part containing a summary of the directors' remuneration policy (pages 72 to 77) which was approved by shareholders at the 2014 Annual General Meeting. As this is an advisory resolution, it does not affect the future remuneration paid to any director.

### 3 Final dividend (Resolution 3)

A final dividend of 5.82p (DKK 0.6041) per ordinary share for the year ended 31 December 2014 is recommended for payment by the directors. If the recommended final dividend is approved, it will be paid on Friday 12 June 2015 to all ordinary shareholders who were on the register of members at the close of business on 8 May 2015.

### 4 Election and re-election of directors (Resolutions 4 to 12)

Resolutions 4 to 12 deal with the re-election of the directors in accordance with the requirements of the UK Corporate Governance Code which provides for all directors of FTSE 350 companies to be subject to re-election by shareholders every year. Grahame Gibson and Mark Seligman will retire from the board at the conclusion of the Annual General Meeting and so they are not seeking re-election.

Biographies of each of the directors seeking re-election are set out on pages 52 to 53 of the company's 2014 Annual Report. The board has confirmed following a performance review that all directors standing for re-election continue to perform effectively and demonstrate commitment to their roles.

### 5 Appointment of auditor and auditor's remuneration (Resolutions 13 and 14)

Resolution 13 relates to the appointment of PricewaterhouseCoopers LLP ("PwC") as the company's auditor to hold office until the next Annual General Meeting of the company. PwC was selected by the board upon the recommendation of the audit committee following a formal tender process which is described on page 68 of the company's 2014 Annual Report, and consequently KPMG Audit plc, the company's current auditor, has confirmed that they will not seek reappointment. Their term of office will therefore expire at the conclusion of the 2015 Annual General Meeting.

Resolution 14 authorises the Audit Committee to set the auditor's remuneration.

### 6 Authority to allot shares (Resolution 15)

Resolution 15 seeks shareholder approval for the directors to be authorised to allot shares.

At the last Annual General Meeting of the company held on 5 June 2014, the directors were given authority to allot ordinary shares in the capital of the company up to a maximum nominal amount of £258,598,000. This authority expires at the end of this year's Annual General Meeting. Of this amount, 517,196,000 shares could only be allotted pursuant to a rights issue.

Resolution 15 will, if passed, renew this authority to allot on the same terms as last year's resolution. The board considers it appropriate that the directors be granted the same authority to allot shares in the capital of the company up to a maximum nominal amount of £258,598,000, representing a little under two thirds of the company's issued ordinary share capital as at 25 March 2015 (the latest practicable date prior to publication of the Notice of Annual General Meeting). Of this amount, 517,196,000 shares, representing a little under one third of the company's issued ordinary share capital, can only be allotted pursuant to a rights issue. The authority will last until the conclusion of the next Annual General Meeting in 2016.

The directors do not have any present intention of exercising this authority. In accordance with best practice, if the directors were to exercise this authority so as to allot shares representing more than one third of the current capital of the company, they would all offer themselves for re-election at the following Annual General Meeting, although it is the directors' current intention to stand for election annually in any event in accordance with the requirements of the UK Corporate Governance Code.

As at the date of the Notice of Annual General Meeting, the company does not hold any ordinary shares in the capital of the company in treasury. However, the 6,408,450 shares held within the G4S Employee Benefit Trust and referred to on page 151 (note 36 to the consolidated financial statements) are accounted for as treasury shares.

## Recommendation and explanatory notes related to business to be conducted at the Annual General Meeting on 4 June 2015 *continued*

### 7 Disapplication of statutory pre-emption rights (Resolution 16)

Resolution 16 seeks shareholder approval to give the directors authority to allot equity securities in the capital of the company pursuant to the authority granted under Resolution 15 for cash without complying with the pre-emption rights in the Companies Act 2006 (the "Act") in certain circumstances. This authority will permit the directors to allot

- (a) equity securities up to a nominal amount of £258,598,000 (representing a little under two thirds of the company's issued share capital) on an offer to existing shareholders. However, unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £129,299,000 (representing a little under one third of the company's issued share capital) (in each case subject to any adjustments such as for fractional entitlements and overseas shareholders, as the directors see fit), and
- (b) equity securities up to a maximum nominal value of £38,788,000 representing approximately 10% of the issued ordinary share capital of the company as at 25 March 2015 (the latest practicable date prior to publication of the Notice of Annual General Meeting) otherwise than in connection with an offer to existing shareholders.

This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles (the "Pre-emption Principles"). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the company's issued ordinary share capital provided that the company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The directors therefore confirm, in accordance with the Pre-emption Principles that, to the extent that the authority in paragraph (ii) of Resolution 16 is used for an issue of ordinary shares with a nominal value in excess of £19,394,000 (that is approximately 5% of the company's issued ordinary share capital as at 25 March 2015), they intend that it will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The directors also confirm, in accordance with the Pre-emption Principles, that they do not intend to issue shares for cash representing more than 7.5% of the company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

As noted in relation to Resolution 15 above, the directors have no current intention of exercising this authority.

The authority contained in Resolution 16 will expire upon the expiry of the general authority conferred by Resolution 15 (i.e. at the end of the next Annual General Meeting of the company).

### 8 Purchase of own shares (Resolution 17)

Resolution 17 seeks to renew the company's authority to buy back its own ordinary shares in the market as permitted by the Act. The authority limits the number of shares that could be purchased to a maximum of 155,159,000 (representing a little less than 10% of the company's issued ordinary share capital as at 25 March 2015 (the latest practicable date prior to publication of the Notice of Annual General Meeting)) and sets minimum and maximum prices. This authority will expire at the conclusion of the company's Annual General Meeting in 2016.

The directors have no present intention of exercising the authority to purchase the company's ordinary shares but will keep the matter under review, taking into account the financial resources of the company, the company's share price and future funding opportunities. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. No shares were purchased pursuant to the equivalent authority granted to the directors at the company's last Annual General Meeting.

As at 25 March 2015 (the latest practicable date prior to the publication of the Notice of Annual General Meeting), there were no options over the ordinary shares in the capital of the company.

### 9 Political donations (Resolution 18)

Resolution 18 deals with the rules on political donations contained in the Act. Under these rules, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship subscriptions, payment of expenses, paid leave for employees fulfilling public duties and support for bodies representing the business community in policy review or reform, may fall within this.

Therefore, notwithstanding that the company has not made political donations requiring shareholder authority in the past, and has no intention either now or in the future of making any such political donation or incurring any such political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 18, which is the same as the resolution on this subject which was passed at the company's Annual General Meeting held on 5 June 2014. This will allow the company to support the community and put forward its views to wider business and government interests without running the risk of being in breach of the law. This authority will cover the period from the date Resolution 18 is passed until the conclusion of the next Annual General Meeting of the company. As permitted under the Act, Resolution 18 also covers political donations made, or political expenditure incurred by any subsidiaries of the company.

## **10 Period of notice for calling general meetings**

### **(Resolution 19)**

Resolution 19 is a resolution to allow the company to hold general meetings (other than Annual General Meetings) on 14 days notice

The minimum notice period permitted by the Act for general meetings (other than Annual General Meetings) is 21 days. However the Act allows companies to reduce this period to 14 days (other than for Annual General Meetings) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The board is therefore proposing Resolution 19 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the company other than Annual General Meetings. The approval will be effective until the company's next Annual General Meeting, when it is intended that the approval be renewed.

The board will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time sensitive, and will balance that against the need for shareholders to consider their voting decisions, particularly where the proposals concerned are complex and may require more time for proper evaluation.

## Group financial record

G4S plc was formed in 2004 from the merger of the security business of Group 4 Falck and Securicor. Since that time, the group has delivered robust shareholder returns and its five year financial performance is shown by the following financial record.

---

### Revenue\* at constant exchange rates

£6.8bn

G4S revenue has grown consistently during the last five years

IMAGE REMOVED

\* Prior years have been restated for businesses that have been discontinued, sold or ceased and for IFRS10 and 11

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### PBITA\* at constant exchange rates

£424m

Operating profit, defined as profit before interest, tax and amortisation and excluding specific items, increased 8% to £424m (2013: 393m)

IMAGE REMOVED

\* Prior years have been restated for businesses that have been discontinued, sold or ceased and for IFRS10 and 11

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### Dividend

#### Pence per share

9.24p

In the five years since 2010, G4S has delivered average dividend per share growth of 4%

IMAGE REMOVED

---

#### Cash generated from operating businesses\*

# £526m

Cash generated from operating businesses was £526m which is a 25% increase compared to £420m in 2013

- \* Prior years have been restated for businesses that have been discontinued and the impact of IFRS 10 and 11

IMAGE REMOVED

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#### Share price

From the merger in July 2004 to the end of 2014, the G4S share price has increased 127%, outperforming the FTSE 100 by 76% (see page 82 for the comparative TSR performance)

# +127%

share price increase  
since 2004

IMAGE REMOVED

# +8.1%

G4S share price CAGR\*  
from 2004 to 2014

- \* CAGR is compound average growth rate

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#### Employee numbers

# 623,000

(including joint ventures)

IMAGE REMOVED

## 2014 CSR highlights

A snapshot of some of our key CSR achievements during 2014

### Securing our environment

G4S total carbon footprint in 2014 was

**538,303 t/CO<sub>2</sub>e**

Achieved a carbon intensity of 76.3 t/CO<sub>2</sub>e per £m revenue in 2014 representing a reduction of

**6.3%**

since 2013

Measured 56% of the waste generated by the group, totalling 10,400 tonnes of mixed waste with 18% diverted from landfill

Measured 64% of the group's water usage with a total consumption of 1,678,000 litres

Installed telematics technology into a further 114 UK-based vehicles, bringing the total number of UK-based vehicles fitted with telematics to almost 2,000. The use of this technology helps to reduce fuel and maintenance costs, while improving driver safety.

Achieved an Energy Star rating at the headquarters of G4S North America. Energy Star-certified buildings generate lower greenhouse gas emissions than typical buildings.

IMAGE REMOVED

### Securing our communities

Conducted studies of the economic impact of G4S within the UK, demonstrating total contribution to the UK economy of

**£1.74bn**

Invested approximately

**£1.9m**

in charitable community programmes and welfare programmes for employees

Matched

**£38,000**

of employee fundraising for local community good causes

Supported more than 1,000 community projects across 74 countries, including

- Bhubesi Pride (Africa)
- India Vision Foundation (India)
- Bromley by Bow Centre (UK)

IMAGE REMOVED



## Safeguarding our integrity

Initiated a programme to reinvigorate our group values across all business practices

Continued embedding our human rights framework into the business, including risk assessment and due-diligence processes

Implemented a governance, risk and compliance system and process which includes human rights, business ethics and labour rights reviews

Completed a planned reorganisation of Group Risk and Internal Audit departments, increasing the resources available and expanding the remit to reflect a risk-based audit approach providing assurance on key risk areas and adherence to the updated enterprise risk management systems

Commissioned an independent human rights and legal review of G4S operations in Israel and the West Bank.

Completed a review of the group's whistleblowing policy and processes against the principles of the UK Whistleblowing Commission's Code of Practice

Completed

112

on-site internal audits, including measurement of compliance with business ethics standards

Conducted

120

human rights country risk assessments as part of regular 'heatmap' reviews

Signed a commitment to the UN Global Compact Business for Peace platform, promoting the positive change that business may bring to former conflict environments by enabling stability, development and advancement of peace

IMAGE REMOVED

## Securing our people

Established 'Safety first' as a new group value

Developed a health and safety management framework on which businesses can base their approach to ensure that they embed health and safety into their business practices

Implemented performance objectives related to health and safety for all senior business leaders

Extended the Driving Force Rules campaign to all regions

Provided health and safety training to our global leadership team

Completed six health and safety critical country reviews in countries where serious incidents occurred during the year

Enhanced the monitoring of health and safety key performance indicator (KPI) performance, particularly in respect of incident investigations

Implemented a new senior management onboarding tool

Extended our talent management system to capture more data on the wider employee population

Launched a new senior leadership development programme with attendance from all six regions

Continued to support businesses embedding cultural awareness training

Ongoing implementation of the actions arising from the 2013 global employee engagement survey, such as a values based leadership programme in the UK

IMAGE REMOVED

For more information visit [www.g4s.com/csr](http://www.g4s.com/csr)

## Application of FRS 101

On 1 January 2015 old UK GAAP used in the preparation of the parent company financial statements ceased to exist. We have the option to adopt one of three reporting regimes: 1) the EU endorsed International Financial Reporting Standards (IFRS), already used for the preparation of the group's consolidated financial statements; 2) a new reporting regime known as the FRS 101 Reduced Disclosure Framework permitting entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS to adopt a reduced level of disclosure for their individual financial statements; or 3) FRS 102, which is a modification of FRS for small and medium enterprises.

We are proposing that the FRS 101 Reduced Disclosure Framework will be applied for the individual financial statements of the company (i.e. the parent company financial statements) for financial years beginning on and after 1 January 2015, allowing the parent company to use the same accounting framework as is utilised in the consolidated financial statements for the group.

The framework permitted by FRS 101 reduces disclosures covering a wide range of topics including cash flow statements, financial instruments, fair value measurement, share-based payments and related party transactions, which would already be provided in the group's consolidated financial statements. A brief narrative summary of the disclosure exemptions adopted under FRS 101 will be disclosed in the notes to the individual financial statements of the company. There may also be some presentational changes in the individual financial statements of the parent company.

The parent company's accounts will still be prepared to meet the requirements of the Companies Act 2006 including giving a true and fair view of the company's assets, liabilities, financial position and profit or loss. This means the parent company will therefore always be required to include in its accounts all information relevant to shareholders and necessary to show a true and fair view.

For further information about FRS 101, please visit

<http://www.icaew.com/en/technical/financial-reporting/reduced-disclosure-framework>

Before an entity can apply the reduced disclosure framework, it is required to inform its shareholders and provide a reasonable opportunity for its shareholders to object. The company will not be able to adopt the reduced disclosure framework if a shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the company object.

If you have any objections to the company applying the FRS 101 Reduced Disclosure Framework to the individual financial statements of the parent company, please notify us in writing to the Company Secretary, G4S plc at The Manor, Manor Royal, Crawley, West Sussex RH10 9UN on or before 29 May 2015.

## General information

### Financial calendar

#### Results announcements

Half-year results – August

Final results – March

#### Dividend payment

Interim paid – 17 October 2014

Final payable – 12 June 2015

#### Annual General Meeting

4 June 2015

### Corporate addresses

#### Registered office

The Manor

Manor Royal

Crawley

West Sussex RH10 9UN

Telephone +44 (0) 1293 554 400

#### Registered number

4992207

#### Auditor (until 2015 AGM)

KPMG Audit Plc

15 Canada Square

London E14 5GL

#### Stockbrokers

J P Morgan Cazenove

25 Bank Street

Canary Wharf

London E14 5JP

Citigroup Global Markets Limited

Citigroup Centre

Canada Square, Canary Wharf

London E14 5LB

#### Financial advisors

J P Morgan Cazenove

25 Bank Street

Canary Wharf

London E14 5JP

Barclays Capital

5 The North Colonnade

Canary Wharf

London E14 4BB

#### G4S website

[www.g4s.com](http://www.g4s.com)

### General shareholder information

#### Registrars and transfer office

All enquiries relating to the administration of shareholdings should be directed to

Capita Asset Services

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

Telephone within the UK 0871 664 0300

(calls cost 10p per minute plus network extras), from outside the UK

+44 20 8639 3399

Fax +44 (0) 1484 600 911

Email [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)

Secure share portal

[www.capitashareportal.com](http://www.capitashareportal.com)

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company or the company's registrar

#### Capita share portal

The share portal is an online facility provided by the company's registrars, Capita Asset Services for shareholders to manage their holding securely online reducing the need for paperwork. By registering for a free portal account, shareholders are able to access a range of online facilities 24 hours a day including those described below

#### *View account holding details*

Allows shareholders to access their personal account, shareholding balance, share transaction history, indicative share valuation and dividend payment history. It also enables shareholders to buy and sell shares

#### *Change of address, bank mandates, downloadable forms*

Allows shareholders to update their postal address and complete, change or delete bank mandate instructions for dividends. A wide range of shareholder information, including downloadable forms such as stock transfer forms, is also available

#### Dedicated helpline

Capita Asset Services also has a helpline to help users with all aspects of the service. Telephone (from the UK) 0871 664 0391

Calls cost 10p per minute plus network extras, lines are open 8.30am to 5.30pm Monday to Friday

Telephone

(outside the UK) +44 (0) 20 8639 3367

Email [shareportal@capita.co.uk](mailto:shareportal@capita.co.uk)

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