G4S

Interim Management Statement
7th May 2014

G4S

Helen Parris, Director of Investor Relations

Ashley Almanza, Chief Executive Officer

Himanshu Raja, Chief Financial Officer

QUESTIONS FROM

Robert Plant, JP Morgan

Kean Marden, Jefferies

Sylvia Foteva, Deutsche Bank

Allen Wells, Morgan Stanley

Andrew Ripper, Merrill Lynch

Laurent Brunelle, Exane BNP Paribas

Paul Checketts, Barclays Capital

Gideon Adler, Redburn

Introduction

Ashley Almanza, Chief Executive Officer

Good morning everyone and welcome. I hope that by now you've had the opportunity to read our Interim Management Statement.

We were pleased to report that trading for the first three months of this year was in line with our plans and organic revenue growth was up by 5% year on year; profit before interest tax and amortisation and earnings were slightly higher than the first quarter of 2013.

As you know, our aim is to create shareholder value through the consistent delivery of excellence in, customer service, operational performance and financial management. We believe that there are material opportunities to improve our performance in all of these areas and that doing so will deliver sustainable and profitable growth.

The strategy and business review which we conducted last year identified the need for wide ranging changes in our business which we captured in the form of a number of strategic priorities. I'm pleased to say that since our last update only two months ago, we have continued to make progress with these priorities.

We are now clearly moving out of our initial planning and review phase and into execution across a very broad front. And I'd like to take just a moment to highlight a few areas of progress.

When we reported our year end results our portfolio management work had already begun to deliver results. We had divested four businesses at attractive exit multiples and we had taken the decision to close or consolidate a further five businesses. Since then we have concluded reviews on a number of businesses and will exit five small businesses this year. They make no real contribution to our financial performance today and they have limited growth prospects.

Separately, the potential disposal of our US Government Solutions business continues to attract buyer interest following the revision and re-launch of our marketing process in the second half of last year. As we have said before we will only transact if we achieve acceptable terms.

Last year we also identified the need to reinforce our organic growth. As announced last year we are now investing an additional £15m to £20m per annum to strengthen sales and business development capacity and capability across the Group. We have added and continue to add significant capability in Africa, Asia, Latin America, the UK, Europe and the Middle East.

And we are also embedding a consistent approach to sales operations and sales performance measurements across the Group. Our growing capability in sales is also enabling us to bring together senior sales and business development executives from each region to transfer best practice, ranging from sales operations to customer relationship management and service innovation.

With respect to sales, we've had a positive start to the year, winning new business with annual revenues of £440m.

In April the UK government gave a positive assessment of our UK corporate renewal programme, enabling us to now focus on serving this strategic customer. We have, as you know, considerable experience and capability in delivering cost effective services to the UK government and our contract wins and retentions in recent months include a number of significant UK government contracts.

Our UK corporate renewal programme is now being implemented in earnest and there is more to do to build confidence and trust with this customer. Reinforcing customer trust and confidence matters greatly in all of our markets and all of our businesses; and to that end we have this month re-launched our corporate values across the Group with the strong sponsorship from the Group Executive Committee.

Now alongside our investment in people and values we have continued to review the effectiveness of our organisation. Last year we created a separate regional organisation for Africa, recognising its growing importance to the Group. We also began to strengthen our management capacity in Latin America. And last month we formally separated our Americas region into two regions, North America and Latin America. These changes reflect the scale and the quality of the opportunities that we see in both of these markets.

Now, as you also know, during the second half of last year we established major restructuring programmes to strengthen the competitiveness and the profitability of a number of key businesses, principally in the UK, Ireland and Europe.

These programmes are being implemented in line with the detailed plans that we developed last year. And in addition we have integrated the Secure Solutions business in Ireland into our UK Secure Solutions business to improve the combined performance.

Our cost leadership programme has gathered momentum with strong executive sponsorship, clear support for our Service Excellence Centres and the appointment of key functional leaders.

We are now deploying experienced subject matter experts to lead efficiency reviews in our operating businesses, with a very sharp focus on direct labour efficiency, organisational efficiency, vehicle route planning, IT standardisation, procurement; and I should say our new chief procurement officer started employment with us this week and will be helping drive our procurement process, and of course we have a shared services programme which is being led by our Group CFO Himanshu Raja. We are also reviewing our UK property estate and we see opportunities to rationalise our existing footprint.

Now just a bit more detail on some of these initiatives; direct labour efficiency - we have focused on the top 30 Manned Security businesses ranking these by revenue and man power. And what we've established is that in 25 of these 30 businesses we do not reconcile contracted, paid and billed labour hours in a consistent and effective manner. During the balance of this year we will deploy experts from our Service Excellence

Centre to assist each of these businesses to embed effective labour management processes. And in parallel our IT leadership will be working on a phased approach to implementing labour scheduling software in our larger businesses.

Now route planning also provides an opportunity, much like with direct labour efficiency we have now completed a detailed benchmarking exercise across all 66 of our Cash businesses where, at any given day, we have approximately 10,000 cash vehicles on the road. Our detailed benchmarking indicates that there are opportunities for improvement in scheduling and route planning across about 80% of these businesses. And at least 25% of those businesses would benefit from enhanced software implementation. Again, during the balance of this year our subject matter experts from the SEC will visit around 20 businesses and we will be building our scheduling capability.

The benefits of better route planning in the Cash business can in time be applied to our other businesses where at we have a fleet of approximately 28,000 vehicles. We have launched a piece of work to better understand the scale of the opportunity in these other businesses.

In telematics we see a similar opportunity in our Cash fleets. We have telematics installed in five businesses now and we have recently completed a tender process, which will reduce the unit cost of telematics per vehicle. And this will help to drive the rollout of telematics to the majority of our European businesses and to South Africa this year.

We talked at the year end about our IT footprint and we conducted a baseline assessment in the fourth quarter last year, which established that we have been spending around 20% of Group operating cash flow on IT.

Since the recent appointment of our Group CIO we have embarked upon a programme defining a detailed IT roadmap. That will address organisational efficiency, the number and scale of our suppliers; currently we have over 2400 IT suppliers, equipment standardisation, telecommunications, network infrastructure, shared service centres, and a number of approved applications and projects across the Group. You can tell that there is a rich opportunity set in IT. This is a phased multi-year programme, which I believe will deliver material benefits in both efficiency and effectiveness.

I will close now with reference to one of my opening comments and that is that we have clearly moved beyond the initial review and planning phase and have entered the execution phase with real purpose and energy. The transformation of G4S is only just beginning and we have a long way to go. Our progress will not be linear, but I believe it will be determined and successful.

I will now like to hand you over to Himanshu to comment on our first quarter trading in a bit more detail. Himanshu?

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Financial Results

Himanshu Raja, Chief Financial Officer
Thanks Ashley and good morning everyone. Let me add my thank you for joining the call this morning.

Before I take you through the headlines for the quarter I'd just like to cover three points on the basis of the preparation of the results. Firstly, all the figures in the release are on a on a constant currency exchange rate basis.

Secondly, and as many of you know, we have adopted three new accounting standards which are effective on the 1st of January 2014, IFRS 10/11/12. We showed the impact of this in the recently published Annual Report and Accounts. And as a reminder it removes around £30m from PBITA from 2013 and 2014 results and instead this is equity accounted for in a single line.

To remind you it is an accounting change and therefore has no impact on earnings or earnings per share. Helen and the team will be able to offline help you if you need support in applying the effect of this to your modelling or analysis.

As part of the portfolio review outlined by Ashley, we are also looking at how we optimise our economic value in some of our joint ventures and controlling interests. This may reduce the impact of IFRS 10/11 and 12 going forward and if course I look forward to updating you each quarter on our progress there.

Thirdly, if recent sterling strength continues for the rest of the year, this will have an impact on our reported results. You will recall at the prelims I said underlying PBITA of £442m for 2013 would have been £20m lower using the December spot rates rather than average 2013 rates. If I then apply the Q1 spot rates at the end of March, PBITA would have been £25m to £30m lower.

Clearly the impact of exchange rates will have an impact on our full year results, but I will leave you to do the crystal ball gazing as to the full year impact and of course I will provide you with an update each quarter on our progress.

So let me know turn to trading. Organic Revenue grew by 5%. Total revenue was lower at 4.8% due to the disposal of the Colombian business, which we sold in August last year and which was not in discontinued businesses and therefore affects the year on year headline number.

Emerging markets revenues grew by 16%, with double digit growth across all our emerging markets regions.

Our developed markets delivered a solid performance. Organic growth was flat. It is early days but we are starting to see some early signs of recovery in the sales pipeline in Continental Europe and North America compared to the fourth quarter of last year. Our UK business continues with its restructuring programme to drive future growth and improve competitiveness.

Turning to operating profits, overall underlying operating profits and earnings were slightly ahead of the same period in 2013, after adjusting for IFRS 10/11 and 12 and currency movements.

In terms of the Group's financial position, as Ashley mentioned, we are pleased to see S&P reaffirm the BBB- credit rating.

Our focus remains on driving cash generation and bringing net debt to EBITDA below two and a half times. Cash flow is always stronger in the second half of the year than the first half due to completion of project based work towards the end of the year and Q1 cash flow reflects this. We continue to expect net debt to EBITDA to continue to improve by the end of the year.

I'll now pass you back to Ashley.

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Ashley Almanza, Chief Executive Officer
Thanks Himanshu that concludes our comments and we'll be happy to take your questions. When asking your question please give your name and the affiliation of the organisation that you work for. Operator we're ready for questions.

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Questions and Answers

Telephone Operator
Thank you, ladies and gentlemen if you would like to ask a question please press *1 on your telephone keypads. If you change your mind and wish to withdraw your question please press *1 again. You will be advised when to ask your question.

And our first question is from the line of Robert Plant from JP Morgan. Please go ahead Robert.

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Robert Plant, JP Morgan
Good morning everyone, you have said that the emerging market business had double digit growth in all of the regions, I wondered how much benefit was there was Manus Island and secondly quite high inflation in Latin America? Thank you.

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Ashley Almanza, Chief Executive Officer
I'll ask Himanshu to cover that in a second, Robert thanks for the question. Manus is about £25m a quarter, and as you know that contract came to an end at the end of the first quarter which we signalled with our full year results. So the effort that has gone into building our pipeline has been all the more important and we were very pleased with the first quarter performance of £440m of new revenues, obviously I shouldn't say revenues, sales.

Obviously that won't all hit the P&L this year; we'll start mobilising those contracts through the balance of this year.

Himanshu do you want to comment on Manus further and also inflation?

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Himanshu Raja, Chief Financial Officer
I think you've covered Manus Ashley, on inflation, Rob good morning, if you think about some of the markets where you've got hyperinflation they're not material to the overall result. You know currencies like in Argentina in Latin America so they don't materially affect the headline overall performance.

What we did see was particularly strong continued growth in Asia, and in Africa, as well as consistent growth in Lat Am, which is why we referenced this morning that it was double digit growth across all regions, but not a major impact from hyperinflation.

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Ashley Almanza, Chief Executive Officer
I think the breadth of the growth is quite important Robert, so that we're not - as we said at the end of last year we're not dependent on a single contract, even though Manus was a big contract, the scale of our sales portfolio means that we're not dependent on a single contract. And I think also the fact that we're growing across a broad front, not in any one market or in any one sector gives us some confidence in the ability to sustain our growth.

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Robert Plant, JP Morgan
Thank you Ashley, thank you Himanshu.

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Ashley Almanza, Chief Executive Officer
Thanks Robert.

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Telephone Operator
Thank you and our next question is from the line of Kean Marden from Jefferies. Please go ahead.

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Kean Marden, Jefferies
Morning gentlemen.

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Ashley Almanza, Chief Executive Officer
Morning Kean.

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Kean Marden, Jefferies
I wonder if I could first of all ask a couple of questions on the balance sheet. Could you confirm first of all that you've received all disposal proceeds related to small divestments that were made during the second half of last year?

And then secondly on the balance sheet I'm wondering whether Himanshu's greater focus on cash conversion has led to any improvements in DSO or are there any other elements that he'd like to pull out? Obviously your statement mainly focuses on the P&L rather than the balance sheet today.

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Ashley Almanza, Chief Executive Officer
Yes I think we certainly - Himanshu, I'm looking at Himanshu.

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Himanshu Raja, Chief Financial Officer
Yes, yes the cash if all received.

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Ashley Almanza, Chief Executive Officer
We've got the money.

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Himanshu Raja, Chief Financial Officer
All received, Kean good morning. Yes, on the cash flow and DSO I think I've reported before there's definitely room for cash flow improvement. I'd say there's been a patchy of performance across the Group through the first quarter, some improvement in certain territories, others now where I'd like to see them.

But overall cash is broadly in line with last year and it is seasonal first half to second half; and therefore second half we always see project based work deliver improved - both revenue and cash. And when I think about net debt to EBITDA, again on trajectory to bring that down year on year compared with December '13.

But more to do I'd say Kean on driving DSO down.

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Kean Marden, Jefferies
Okay, the market is obviously very preoccupied given events elsewhere at the moment with obviously trajectory of net debt to EBITDA. So are you willing to extend your comments regarding reducing net debt to EBITDA at the year end to the June test as well?

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Himanshu Raja, Chief Financial Officer
Well as I say it's seasonal, so you know we look at it on a rolling 12 month basis. So if I look at June to June, you know June to June has a similar profile '13 to '14, but year end to year end we are definitely looking to drive an improvement December '13 to December '14. And the seasonality is something that ongoing we have to work through as we seek to contract better and drive improved cash performance. It is this first half second half dynamic going on in the business.

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Kean Marden, Jefferies
And then secondly, I think I know the answer to this question but just to check. You don't day adjust so therefore the additional trading day from Easter in a number of countries around the world wouldn't have been adjusted in that organic number?

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Himanshu Raja, Chief Financial Officer
No that's right, we work to calendar cycles not working days.

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Kean Marden, Jefferies
Okay thanks very much.

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Telephone Operator
Thank you. And our next question is from the line of Sylvia Foteva from Deutsche Bank. Please go ahead.

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Sylvia Foteva, Deutsche Bank
Hi good morning, two questions from me. So firstly on total revenues and profit growth, could you please comment obviously all the figures in the statement were in constant exchange rate terms? And secondly can I just confirm the net debt to EBITDA posted - just one for Himanshu, was that standing at 2.8 at the end of the year …? Thank you.

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Himanshu Raja, Chief Financial Officer
Sylvia if I understood your question correctly, all the figures are at constant exchange rate, revenue and PBITA …

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Sylvia Foteva, Deutsche Bank
Could you disclose the total with the FX impact please?

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Himanshu Raja, Chief Financial Officer
The actuals, like I say if you recall back to the impact in December it was around £20m on the prior year number and then I tried to help you to say that strengthening of sterling through March means the FX impact on the prior year comparison of 442 is closer to between £25m and £30m. So you do see an impact year on year from the impact of the strength of sterling, but it's hard to call really what the impact of the full year will be.

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Sylvia Foteva, Deutsche Bank
Sorry, in Q1 was the profit - obviously you're commenting that profit was up slightly, was it down slightly?

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Himanshu Raja, Chief Financial Officer
On constant currency it was slightly ahead, on the impact of FX it was slightly down on an actual basis.

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Sylvia Foteva, Deutsche Bank
On an actual basis, okay thank you.

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Telephone Operator
Thank you. And the next question is from the line of Allen Wells from Morgan Stanley. Please go ahead.

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Allen Wells, Morgan Stanley
Good morning guys, a couple for me. On the margins, I don't know to what extent you can comment, but you talk obviously about PBITA being up slightly, but obviously revenues, organic revenue growth is up sort of almost 5%. Does that imply that margins are down slightly year on year in the first quarter, that's my first quarter, that's my first question?

Secondly you've seen some of your competitors, both Securitas, Prosegur talk about - or it looks like in the numbers there's quite a bit of weakness still in the Spanish market, I wonder to what extent - obviously it's smaller for your guys, but to what extent you can comment on what you're seeing there?

And then thirdly you highlight the £400m of new orders that you've received in the first quarter, but I couldn't remember what the number would have been in one quarter last year, I wonder if you could put some context on that as well please? Thank you.

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Ashley Almanza, Chief Executive Officer
Allen, Himanshu and I will divvy that up. Just on margins I think you may have heard me say before that what we're trying to do here is grow profits, earnings, cash flow and ultimately dividends in the business and what we've seen in the fourth quarter at constant exchange rates, revenues up, profit up, earnings up, it doesn't imply actually that margins are down.

We've got a number of levers when we think about the profitability of our business, sales mix, operating efficiency, overheads, and you know the transformation programme that I described in my comments earlier on in this call - those things are all designed ultimately to strengthen the business, grow earnings and grow dividend. Some of them will also underpin the margin.

At the same time we are investing and will continue to invest in the organic growth opportunity. And that hits the P&L, it doesn't get put on the balance sheet as you know like acquisitions, so there's a balance there. But I don't think you can take from our comments that the margin is down in the first quarter.

What I said last year was that as we started to step up the rate of investment in sales, business development, operations, all of which would be expensed, we would at the same time drive very hard on the various initiatives to improve the efficiency and the effectiveness of the business. So that in time we would expect the investment in organic growth to be self-funding from a P&L point of view. So there is a balancing act here.

I'm keen to sort of stay away from trying to manage the business - you know the margin on a 12 week cycle, I don't believe it's a healthy way to grow this business ultimately. So for example we've made appointments in Latin America, senior appointments, appointments in the Middle East to drive our Secure Solutions business and Cash businesses there. And we've made a number of appointments across Europe where we had fundamentally an underweight sales organisation, a very, very light sales organisation. Those things are good investments for us to make, but they affect the P&L.

But I think to round off before handing over to Himanshu, net-net we're also harvesting efficiencies. And so we haven't seen anything in the first quarter, or even in the last six months that suggests our net margin is structurally weaker than before. So a bit of a long answer, but I think important to keep reminding everybody that we've got several things going on here as we grow the business. Himanshu do you want to pick up.

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Himanshu Raja, Chief Financial Officer
The question on Spain?

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Ashley Almanza, Chief Executive Officer
Spain is not - it just really doesn't register on the radar for us, we don't have a permanent establishment there. So we see what you see Allen which is that our competitors appear to be having a tough time of it in that market.

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Himanshu Raja, Chief Financial Officer
I think Allen your last question was the comparator to the 440 which I don't have to hand but we can provide offline. Just to remind you I think it was last year that we rolled out salesforce.com systematically everywhere, but Helen and the team can help you with the comparator number offline.

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Helen Parris, Director of Investor Relations
I think we've given net sort of new business for the year, I think that as I say because in terms of how we're measuring now I'm not sure that we're comparing exactly like with like if you go back a year ago. But I think we're confident that we've had a positive start to the year compared to last year.

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Allen Wells, Morgan Stanley
Okay, thanks guys.

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Telephone Operator
Thank you. And our next question is from the line of Andrew Ripper from Merrill Lynch. Please go ahead.

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Andrew Ripper, Merrill Lynch
Morning everybody, I just wanted to start, in terms of the sort of restructuring actions which are going to impact over the next 12 months. Can you have a sense of what you've done in the year to date? I'm aware - you talked I think about taking out 3,300 heads out of the organisation and on the initial sort of re-org Himanshu that you flagged I think you talked about a 35 million of the 68 with a one to two year payback, maybe you can talk about physically what you've done in the first sort of four or five months of this year please?

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Himanshu Raja, Chief Financial Officer
Sure, I mean overall Andrew our restructuring plans are on track. We saw in the Q1 results about a £5m P&L benefit coming through from those restructuring actions. And the headcount number is an annualised number and that is also progressing. I don't want to comment on individual headcount by country, but on a global basis again the headcount reductions are going to plan as well. But about a £5m benefit in the quarter into P&L.

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Ashley Almanza, Chief Executive Officer
On the headcount, remember this restructuring was focused quite heavily on operations in the UK and also in Europe a big part of what we were looking at was our Care and Justice business in the Netherlands. And in broad terms the headcount reduction is phased evenly across the year. There's a slight weighting to the second half.

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Andrew Ripper, Merrill Lynch
Okay. And then on the top line it's obviously a good start for you in the emerging markets business. Do you expect for the full year to be in your 5 to 8% range, despite the impact of Manus over the next three quarters?

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Ashley Almanza, Chief Executive Officer
So I think Andrew it's really too early to say where we're going to end up for the full year. Again, you know we are taking a slightly different approach to how we've done things in the past. We've turned down some business in the last six months and I expect over the balance of the year we will decline to bid for some business in other areas.

But I think that 5 to 8% grow potential that we see over the long term I think at this stage all we can say is we're pleased with the start, we're very encouraged with the start that we've had though we're no complacent, we know that every big bid is a competitive process and we can't assume that we're going to keep, get and grow our portfolio across the patch. I think we'll have a better view on that at the half year, but I think all we'll say at this stage is - you know we're pretty pleased with the way the year has started.

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Andrew Ripper, Merrill Lynch
And then just on Australia, the bidding process has started for the onshore immigration detention centres, you guys used to run that in the past, can you confirm whether you're bidding in this round please?

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Ashley Almanza, Chief Executive Officer
We haven't taken a final decision to bid in this round.

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Andrew Ripper, Merrill Lynch
And then finally just in terms of the capital structure Himanshu, obviously I'm conscious you're running with quite high levels of gross cash and gross debt. I think your initial take on it was that the early redemption penalties were too onerous, in terms of for example paying down US PP early, is that still your view?

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Himanshu Raja, Chief Financial Officer
Yes, I mean I think that's the case, I think we've said before that the balance sheet is not where we'd like it to be and hence the focus on cash and cash generation, but early redemption has to make, you know economic sense, and it just doesn't today. But if we continue to focus on cash and cash generation that clearly gives us choices as we go forward.

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Andrew Ripper, Merrill Lynch
And then in terms of the timing on the US disposals, you know Ashley you said you were pretty close on the final results two months down the line. I mean do you think it could happen in this half?

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Ashley Almanza, Chief Executive Officer
Well I think, I mean I think what I said was that the process had gathered momentum and was quite advanced. It's never done until it's done Andrew. And one of the reasons we re-launched the process at the back end of last year was firstly to take the RSS business out, which is a good business. But secondly I think we'd just gotten to an unsatisfactory place in terms of buyer expectations. So - and by that I mean an expectation of buyer friendly terms.

I think we're better placed now, all I can say with certainty is that we will only transact if the terms are satisfactory. It's never done until it's done. If buyer expectations are still for excessively buyer friendly terms and conditions we don't transact, we will continue to manage this business for value. And you know when the market is right then we will return to the market, in the long term, or hopefully the short term, but ultimately you know I don't think it's sensible for us to have a proxy business in our portfolio. So we will realise value for shareholders at some point, it's just a question of when.

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Andrew Ripper, Merrill Lynch
Understood, thank you.

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Telephone Operator
Thank you. And our next question is from the line of Laurent Brunelle, from Exane BNP Paribas. Please go ahead.

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Laurent Brunelle, Exane BNP Paribas
Good morning, three questions from me. First on trading, could you give us some colour on your UK performance, are you still suffering from the ongoing reorganisation?

Secondly, regarding the sale of your US Government business, is there something new to say - I have understood that obviously you will keep it if you don’t get any acceptable terms, but can you update us on it please?

And finally a follow up on forex, given what you said it is fair to say that the forex impact on the top line is, let's say minus 7% in Q1? Thank you.

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Ashley Almanza, Chief Executive Officer
So I'll ask Himanshu to comment on forex Laurent. The UK reorganisation is ongoing; I mentioned earlier that the restructuring was weighted towards operations. So two thirds of the headcount reduction lay in operations in this phase of restructuring. What that means of course is we have to go carefully, because as we restructure we want to make sure that customer service doesn't suffer.

So you know that programme is ongoing, it has been historically as least in the last few years the UK Cash market has been a tough market, but the whole idea here is to get lean and fit to compete. And there's no doubt that we've got a plan to get there, we've got a team to deliver that plan and the market I think - you know we will be in a better position to compete in the market by the end of this year.

On the US, you know the only thing I'd say is that we continue, as I said, in my prepared remarks, we continue to get buyer interest; we continue still to get approaches, people wanting to join the process. So you know we're keen that we don't waste their time or our time and so they have to - we take them through a prequalification period before they can enter the process.

In the last little while we've seen renewed interest of people coming and knocking on the door. But I'd just reiterate what I said a moment ago, these things are never done until they're done. The devil is in the detail and we want to make sure that we do a good transaction and if not then we'll do one later. Forex, Himanshu.

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Himanshu Raja, Chief Financial Officer
Just on the FX I think Ashley talked about it earlier, if you reflect on the global and geographic nature of the business and the different movements in currencies, you know we've got dollar denominated represents about 30% of the business, euro and sterling is about 35% and therefore that leaves around 35% which is in the other category. As we've all seen, what you see is that the Asia and Lat Am currencies are no longer following the US dollar so there's more volatility there.

So in terms of headlines that means that from a revenue perspective it's really - I think you said minus 7, it's more like low single digits down and on PBITA rather than slightly ahead it's slightly down.

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Laurent Brunelle, Exane BNP Paribas
Okay, great. Coming back to the UK can you give maybe a number, I guess the organic sales growth is negative in the UK overall, is it fair to say that?

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Himanshu Raja, Chief Financial Officer
We don't go into commenting on a region by region performance Laurent on a quarterly basis.

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Laurent Brunelle, Exane BNP Paribas
Okay thank you.

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Telephone Operator
Thank you. Ladies and gentlemen please be reminded if you'd like to ask a question on today's call please press *1 on your telephone keypad now.

And we have a question from the line of Paul Checketts from Barclays Capital. Please go ahead.

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Paul Checketts, Barclays Capital
Morning everyone. Can I ask a couple of questions, first on the sales pipeline you mentioned that you've seen some signs of improvement in Continental Europe and the US, can you talk a bit more about how much it's changed, the size of some of those things that have come into the pipeline and the timing of them? And then secondly could you give us a number for the annual revenues that will fall out from contracts that you know will end, what's the headwind there?

And lastly I guess the Q1 organic growth numbers from last year have changed from what were disclosed. Do you happen to have those comps to hand please?

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Ashley Almanza, Chief Executive Officer
Could you repeat the last question please?

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Paul Checketts, Barclays Capital
Yes, the Q1 organic growth numbers from last year, we obviously have what was disclosed in the Q1 IMS in '13, but I guess with some of the reassessments under IFRS they may have changed, do you happen to have the comparatives for organic growth one year ago please?

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Helen Parris, Director of Investor Relations
I think we'll have to come back to you on the Paul, because obviously they'll be some adjustments in the portfolio as well as you know IFRS and so on. I think what we'll be doing as well is in the next few weeks, certainly ahead of the half one is to give you the

updated H1 2013 numbers, adjusted for IFRS 10/11 and 12 to make sure that people are in the right place in terms of their first half '14 assumptions.

So we'll obviously have a look then at the organic growth for the first half, that maybe will help you. I'm not sure that we'll do that for the quarter, but we'll certainly do it for the first half.

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Paul Checketts, Barclays Capital
Okay.

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Ashley Almanza, Chief Executive Officer
On the contract wins, you asked I think Paul, about a bit more colour on what we were seeing in Europe and in the US. In Europe, we had a particularly strong start in our Cash business, with two big customers, two big wins. And you know the scale; the annual scale of those combined will be about £30m across the two.

And then in the US it was spread across quite a broad front, the larger contracts were in the range of 15 to 20 million and these were in the retail and distribution space.

You asked about contracts dropping out, I think the obviously one is Manus and that was about £25m in the first quarter. And then obviously electronic monitoring and that was full year in the range of £40m. So those are the two standout contracts that we can see dropping out. I think everything else is in play. Plus we've got a strong pipeline of new opportunities that we're going after.

I think there was another part to your question sales, I'm sorry …?

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Himanshu Raja, Chief Financial Officer
The organic number from last year which as Helen said we'll make available coming up to the half year, the post IFRS comparatives so that you have those in preparation for the half year results.

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Ashley Almanza, Chief Executive Officer
Did that answer your question Paul?

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Paul Checketts, Barclays Capital
Yes mostly, the only thing I would ask is maybe on the timing of the pipeline, any big deals we're expecting in the next few months and the results on bid processes?

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Ashley Almanza, Chief Executive Officer
I would say certainly by the half year there will be some big contracts that we'll know one way or another whether we're going to be winning. At this stage I'm not going to identify which contracts are being chased down, if I can put it like that. But no I think the pipeline is more or less, we've got a few big ones that we'll know where we stand at the half year and then after that I would say it settles down to a more even run rate.

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Paul Checketts, Barclays Capital
Great, thanks.

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Telephone Operator
Thank you. And our next question is from the line of Gideon Adler, from Redburn. Please go ahead.

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Gideon Adler, Redburn
Morning guys, a couple of questions. The first one is on UK government pipeline, you mentioned a couple of significant new wins there. I'm just wondering whether you can give us a sense of how that pipeline looks now and whether there's any expectation of contract wins banked into your current guidance, including the UK government.

And the second one is on disposals in a broader sense, we're now down to 21 businesses left in that sort of portfolio under assessment, I'm just wondering given the urgency around balance sheet, whether you might view disposals outside of that core, or should we expect any future divestments to be just limited to that 21, that group of 21?

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Ashley Almanza, Chief Executive Officer
Gideon on the first part, the UK government pipeline I think we're still - you know we still take the view that we have everything to prove with this customer. We're obviously delighted that we've had some good wins in the last month, two months, but you know I think we just have to continue to assume that we're in repair mode with the government, even though they have, you know, affirmed, or confirmed that our renewal plan is sufficient / adequate. But my view is that we've got more work to do there.

So we can see things that we could potentially go after, but I think at this stage we're not banking anything, we're taking a pretty cautious view on what we're going to win. It does mean we have to carry business development capability bid teams and put those teams to work. So we're not going to leave them on the touchlines for the remainder of the year. But I suppose all I'm saying is that it wouldn't be right for us to presume that the pipeline will immediately go back to where it was. I think we have to choose carefully those contracts that we're going to bid and uppermost in our mind is our ability to deliver and to deliver at a satisfactory risk / reward balance.

So I'm afraid it's not a very precise answer at this stage, but you know I think to sum up, we're encouraged by the direction of travel, we're cautiously optimistic, but we're stepping through this one quite carefully, you know we really, really need to put solid foundations down with the customer and go after business that we know we can deliver and deliver at a satisfactory margin.

So on disposals I don't think we should take the view that that 35 is a fixed number. Over time we're investing in new management teams in some of those businesses, some of them we will turn around, some of them will get sort of promoted into the league above where they currently sit, and we may in time add other businesses.

But the critical thing I think for us is to continually manage our portfolio as a component of capital discipline and to be satisfied that everything in the portfolio is earning its place, in terms of its current performance and its future prospects.

But that's not driven by - to come back to your question it's not driven by balance sheet considerations. You know one of the reasons we raised capital last year was to avoid being in a position where we felt we needed to sell assets to, you know, shore up the balance sheet. S&P as you've seen from our trading update have reaffirmed our rating; I think our position is quite satisfactory balance sheet wise. That's not to say that we don't want to be stronger, we do, but I think you know that's not a driving factor in our decision as to whether or not a business should be sold.

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Gideon Adler, Redburn
Okay, thanks.

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Telephone Operator
Thank you. And another reminder if you'd like to ask a question on today's call please press *1 on your telephone keypad now.

Okay, we have no further questions coming through.

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Ashley Almanza, Chief Executive Officer
Thank you. Thank you ladies and gentlemen for joining the call today. The business has had a good start to the year and we have growing momentum in the transformation programme at G4S. We look forward to seeing you at our interim results on the 13th of August. Thank you and goodbye.

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