Securing Your World

# G4S plc
# 2015 full year results

**G4S Chief Executive Officer Ashley Almanza said,** "During 2015 we made substantial progress with the strategic and operational transformation of G4S. Our portfolio management programme combined with our investment in sales, innovation and re-structuring is reflected in the results of our continuing operations where the group's revenues rose by 4% and underlying earnings rose by 14%. These programmes remain a priority and are expected to sustain our growth and strengthen our balance sheet.

We continue to actively manage our onerous legacy contracts in the UK which were entered into prior to 2013. We have had to increase the provisions in relation to these contracts. We have also established robust controls governing new major contracts.

Against a background of global economic uncertainty, demand for our services has remained resilient and growth accelerated in the second half of 2015, providing good support for further operating and financial progress in 2016."

## Financial and Operational highlights:

- New contract sales with total value of £2.4 billion (annual value £1.3 billion) and contract retention rates of c90%
- Revenue[a] increased by 4.0% to £6.4 billion. Emerging markets revenues up 8.6%; North America up 5.8%; UK down 3.0%; Europe up 2.6%
- PBITA[a] increased by 5.7% to £427 million (2014: £404 million)
- Earnings[a] of £227 million (2014: £199 million), up 14.1%
- Underlying operating cash flow was £460 million compared with £528 million in 2014, mainly due to a temporary increase in working capital associated with strong revenue growth in the second half of 2015 and transition to a UK shared service centre
- Significant progress with portfolio management, increasing strategic focus and raising £281 million to date; further businesses identified for disposal expected to generate additional proceeds of between £250-£350 million over the next 12 -24 months
- Net debt at December 2015 was £1,782 million (2014: £1,639 million). Net debt/EBITDA: 3.3x (2014: 3.0x). The business plan supports a reduction in net debt to a level of net debt /EBITDA of 2.5x or lower in the next 12-24 months
- The Board recommends a final dividend of 5.82p per share (2014: 5.82p). Full year dividend of 9.41p per share up 1.8%

| | 12 months ended 31 December 2015 | | | |
|---|---|---|---|---|
| | Underlying[a,b] Results Constant rates | | Statutory[b] Results Actual rates | |
| | **2015** | **2014[c] restated** | **2015** | **2014 restated** |
| Revenue | **£6,433m** | £6,187m | **£6,863m** | £6,889m |
| PBITA | **£427m** | £404m | **£391m** | £397m |
| Earnings | **£227m** | £199m | **£8m** | £145m |
| EPS | **14.7p** | 12.9p | **0.5p** | 9.4p |

The group's statutory earnings of £8 million is after charging onerous contract provisions of £65 million, restructuring of £44 million, losses on businesses being sold or closed of £40 million and non-cash charges of £106 million relating to the amortisation/impairment of goodwill.

[a] Excludes businesses identified for sale or closure. The basis of preparation of underlying results is on page 10 and of statutory results together with an analysis of prior year restatements on page 19.
[b] See pages 3 and 4 for reconciliation of underlying and statutory results and for prior year adjustments.
[c] To aid comparability 2014 underlying results are shown at 2015 average rates.

## Ashley Almanza, Group Chief Executive Officer, commented:

"During 2015 we made substantial progress with the strategic and operational transformation of G4S. Our portfolio management programme combined with our investment in sales, innovation, productivity and re-structuring supported the group's 4% revenue growth, 6% PBITA increase and a 14% increase in underlying earnings. Against a background of economic uncertainty, demand for our services has remained resilient and revenues grew in all regions apart from the UK. In emerging markets our revenues grew by 8.6% and in North America our revenues rose by 5.8%. Our revenues in UK & Ireland were 3% lower and in Europe our businesses returned to growth with revenues up by 3% year-on-year.

Underlying operating cash flow was £460 million compared with £528 million in 2014 mainly due to a temporary increase in working capital associated with the strong growth in the second half of 2015 of 5.4% and the temporary impact of transitioning to a shared service centre in the UK, which reversed in the first two months of 2016.

Underlying earnings and EPS increased 14% to £227 million and 14.7p respectively. The board is recommending that the final dividend is maintained at 5.82p per share (DKK 0.5615), bringing the total dividend for the full year to 9.41p per share, a 1.8% increase.

The group made substantial progress with the strategic plan established in November 2013:

**Growth:** Against a background of economic uncertainty, we won new contracts with an annual value of over £1.3 billion (2014: £1.14 billion) and total contract value of £2.4 billion (2014: £2.1 billion) whilst, at the same time, replenishing our pipeline which had an annual value of £5.7 billion at the end of 2015. We continue to sustain contract retention rates of around 90% although lower volumes drawn under these contracts has partially offset the positive impact of new contracts. In the current economic environment we expect demand for our services to grow by around 4-6% per annum.

We continue to identify and invest in opportunities to innovate and sell new services and products, including systems and technology, in our key markets. We are also investing in progressively embedding a consistent approach to sales operations, pipeline and account management and customer service improvement.

**Productivity:** We continued to invest in improving our efficiency through the successful execution of our re-structuring and productivity programmes and the positive effects of these are reflected in the group's commercial, operational and financial performance for 2015. We expect to extract further benefits in 2016.

**Financial Discipline and Portfolio management:** Portfolio management remains important for strategic focus, capital discipline and performance management. As reflected in these results, since 2013 we have divested 23 businesses (with revenues of c.£900 million), realising proceeds of £281 million, and a further 38 businesses (with revenues of c.£300 million) are being sold or exited. Overall, these businesses had revenues of £1.2 billion and £30 million PBITA losses.

Through our continuing portfolio management programme, we also expect to exit a number of other businesses with combined revenues of c.£400 million in the next 12 to 24 months including G4S Israel, UK Utility services, US Youth Justice services and UK children's services. We expect the sale of these businesses and the 38 businesses previously identified, to materially improve our strategic focus and to realise further sales proceeds of between £250-350 million.

We continued to effectively manage onerous legacy contracts in the UK. As a result of a material increase in the number of asylum seekers we received between November 2015 and January 2016, we have increased the Compass onerous contract provision by £20 million to £31 million. We have also increased the onerous contract provision on a number of other legacy UK contracts. We continue to manage these contracts closely and efficiently and we have established robust controls over new contracts to ensure that the group effectively evaluates and manages contract risk. During 2015 these controls have been reviewed and tested by our Group Risk and Group Internal Audit functions to ensure that they are robust and their work has been reviewed by the Board Risk Committee.

Following the appointment of new external auditors, we conducted an extensive review of accounting and reporting across the group and have restated 2014 statutory earnings by £7 million (decrease) and cash flow from operating activities by £10 million (increase).

The group's business plan supports a net debt/EBITDA ratio of 2.5x or lower in the next 12-24 months.

**People, Organisation and Values:** We continued to strengthen our organisation by investing in talent via recruitment, internal development, promotion and training. We created two new regions – Asia Pacific and Middle East & India (replaces Asia Middle East) which brings additional capability and focus to these important markets. These will be reported as separate regions from 1 January 2016. We have updated our group values and we re-launched our 'Speak Out' service for employees to raise any concerns they have about conduct which is inconsistent with our values. Recent events at our UK Medway facility underline the importance of this on-going programme.

## Outlook

Against a background of global economic uncertainty, demand for our services remained resilient and growth accelerated in the second half of 2015, providing good support for further operating and financial progress in 2016. In the current economic environment we expect medium term demand for our services to grow by around 4-6% per annum."

## Income statement – Reconciliation of Statutory and Underlying Results

For the year ended 31 December 2015

| | 2015[a] | | | | 2014[a,b] - restated | | | |
|---|---|---|---|---|---|---|---|---|
| | **Revenue** | **PBITA** | **Earnings** | **Operating Cash Flow** | Revenue | PBITA | Earnings | Operating Cash Flow |
| | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| **Statutory results[a]** | **6,863** | **391** | **8** | **449** | 6,889 | 397 | 145 | 524 |
| Portfolio businesses identified for sale or closure | **(430)** | **35** | **40** | **11** | (569) | 19 | 25 | 4 |
| Restructuring costs | **-** | **-** | **44** | **-** | - | - | 29 | - |
| Onerous contract provisions | **-** | **-** | **65** | **-** | - | - | 45 | - |
| Other net specific items | **-** | **-** | **5** | **-** | - | - | 13 | - |
| Profit on disposal of subsidiaries | **-** | **-** | **(12)** | **-** | - | - | - | - |
| Acquisition related amortisation and expenses | **-** | **-** | **40** | **-** | - | - | 59 | - |
| Goodwill impairment | **-** | **-** | **66** | **-** | - | - | - | - |
| Tax effect of: | | | | | | | | |
| Specific items, restructuring and amortisation | **-** | **-** | **(27)** | **-** | - | - | (24) | - |
| Interest and tax from joint ventures | **-** | **1** | **-** | **-** | - | 3 | - | - |
| Non-controlling interest's share of specific items | **-** | **-** | **(4)** | **-** | - | - | - | - |
| Loss/(profit) from discontinued operations | **-** | **-** | **2** | **-** | - | - | (80) | - |
| Impact of exchange rates | **-** | **-** | **-** | **-** | (133) | (15) | (13) | - |
| **Underlying results[a,c]** | **6,433** | **427** | **227** | **460** | 6,187 | 404 | 199 | 528 |

**Reconciliation of 2014 statutory PBITA to 2014 underlying PBITA**

| | **PBITA 2014 £m** |
|---|---|
| **Statutory[a] PBITA as previously reported** | **414** |
| Prior year restatement (page 19) | (7) |
| Prior year reclassifications (page 19) | (10) |
| **Restated PBITA in the consolidated income statement** | **397** |
| Portfolio businesses | 19 |
| Interest and tax from joint ventures | 3 |
| FX | (15) |
| **Restated underlying[a,b,c] PBITA** | **404** |

[a] Basis of preparation of underlying results is on page 10 and of statutory results is on page 19.

[b] 2014 results have been restated for prior year adjustments which restated 2014 statutory earnings by £7m (decrease), cash flow from operating activities by £10m (increase) and shareholders' funds at 31 December by £48 million (decrease). The restatements do not impact the future cash generation of the group. See pages 19 and 29 for further details.

[c] To aid comparability 2014 underlying results are shown at 2015 average exchange rates.

**Reconciliation of prior year consolidated income statement to current year restated results**

The table below reconciles underlying revenue and PBITA as originally presented in the prior year consolidated income statements to the restated current year results. The restatements do not impact the cash generation of the group.

| | December 2014 | |
|---|---|---|
| | **Revenue £m** | **PBITA £m** |
| **Statutory results as previously reported** | **6,848** | **414** |
| | | |
| **Prior year restatement (page 19)** | | |
| Africa | (1) | (16) |
| Europe | 1 | 9 |
| **Total** | **-** | **(7)** |
| | | |
| **Re-classification of discontinued operations to portfolio businesses[a]** | | |
| Asia Middle East | 4 | (7) |
| Latin America[b] | 22 | (3) |
| Europe | 15 | - |
| **Total** | **41** | **(10)** |
| | | |
| **Statutory restated results as reported in the consolidated income statement** | **6,889** | **397** |
| | | |
| **Portfolio businesses[a] and joint ventures** | | |
| Africa | (87) | 10 |
| Asia Middle East | (129) | 13 |
| Latin America | (108) | 2 |
| Europe | (196) | (2) |
| North America | (7) | 1 |
| UK & Ireland | (42) | (2) |
| **Total** | **(569)** | **22** |
| | | |
| **Exchange differences** | | |
| Africa | (31) | (3) |
| Asia Middle East | 22 | 1 |
| Latin America | (80) | (8) |
| Europe | (112) | (9) |
| North America | 77 | 4 |
| UK & Ireland | (9) | - |
| **Total** | **(133)** | **(15)** |
| | | |
| **Impact of exchange rate movements** | **(1.9%)** | **(3.8%)** |
| **Underlying results at constant exchange rates** | **6,187** | **404** |

[a]See basis of preparation on page 10.
[b]The PBITA re-classification in Latin America comprises re-classification of certain employee-related costs from within tax to within PBITA (see page 19).

## BUSINESS REVIEW
## UNDERLYING RESULTS BY REGION AND BUSINESS SERVICE

G4S is managed through a regional and functional structure. Our structure enables us to deliver our strategic objectives, develop integrated solutions, target key regional markets, build customer relationships and maintain a strong governance framework.

Basis of preparation of underlying results are shown in page 10.

| At constant exchange rates | **Revenue 2015 £m** | Revenue Restated 2014 £m | YoY % | **PBITA 2015 £m** | PBITA Restated 2014 £m | YoY % | **Organic growth[a]** |
|---|---|---|---|---|---|---|---|
| Africa | **391** | 366 | 6.8% | **40** | 37 | 8.1% | 7.8% |
| Asia Middle East | **1,326** | 1,223 | 8.4% | **121** | 108 | 12.0% | 3.4% |
| Latin America | **549** | 497 | 10.5% | **29** | 29 | 0.0% | 10.4% |
| **Emerging markets** | **2,266** | 2,086 | 8.6% | **190** | 174 | 9.2% | 5.8% |
| Europe | **1,159** | 1,130 | 2.6% | **77** | 82 | (6.1%) | 1.7% |
| North America | **1,518** | 1,435 | 5.8% | **94** | 80 | 17.5% | 5.7% |
| UK & Ireland | **1,490** | 1,536 | (3.0%) | **116** | 128 | (9.4%) | (3.0%) |
| **Developed markets** | **4,167** | 4,101 | 1.6% | **287** | 290 | (1.0%) | 1.4% |
| **Total group before corporate costs** | **6,433** | 6,187 | 4.0% | **477** | 464 | 2.8% | 2.9% |
| Corporate costs | | | | **(50)** | (60) | 16.7% | |
| **Total group** | **6,433** | 6,187 | 4.0% | **427** | 404 | 5.7% | 2.9% |

[a]Organic growth is calculated based on revenue growth at 2015 average exchange rates, adjusting to exclude the impact of any acquisitions or disposals during the current or prior year. During 2015 we successfully renegotiated a number of our shareholder agreements which increased our economic control and interest at no additional cost and these are excluded from organic growth.

## AFRICA

| | **Revenue 2015 £m** | Revenue Restated 2014 £m | YoY % | **PBITA 2015 £m** | PBITA Restated 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **391** | 366 | 6.8% | **40** | 37 | 8.1% |

Against a background of lower commodity prices and economic uncertainty, revenue growth in the **Africa** region accelerated to 7.4% in the second half of the year resulting in 6.8% for the full year with good growth across all markets and in both secure solutions and cash solutions.

The broad-based growth, together with operational gearing and improved productivity produced PBITA growth of 8.1% year on year. The PBITA margin was 10.2%, up from 10.1% in 2014.

New contracts won across the region include security, systems, facilities and risk management services work for governments, multi-lateral agencies, NGO's, telecommunications providers and retailers.

The sales pipeline in Africa has a diversified number of new contract opportunities in areas such as financial institutions and risk management.

The comparative 2014 PBITA has been restated to reflect prior year adjustments (charges) of £16 million. See page 29 for further details.

## ASIA MIDDLE EAST

| | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **1,326** | 1,223 | 8.4% | **121** | 108 | 12.0% |

Revenue growth in **Asia Middle East** accelerated to 12% in the second half of the year, resulting in full year growth of 8.4%. Our businesses posted strong growth in India, Saudi Arabia, UAE, Hong Kong, Macau, Singapore and Thailand. The G4Si valuables and cash logistics business (part of Cash Solutions), based in Hong Kong continued to experience challenging trading conditions impacted by reduced movements in precious commodities.

PBITA increased 12.0%, reflecting the strong growth, improving productivity and a strong contribution from security systems.

We secured new contracts across a broad range of sectors including financial services, aviation and construction and the Port Phillip prison contract in Australia was successfully extended for another 20 years, with a total contract value of £1.1 billion. As part of portfolio management the region sold or exited a number of businesses including a parcel business in 2015 and Thailand cash solutions in early 2016.

The sales pipeline is diversified and substantial in areas such as telecommunications, leisure, aerospace, financial and government and oil & gas sectors.

To ensure that G4S is well positioned to take advantage of market opportunities, effective 1 January 2016, the AME region has been re-organised into two new regions – Asia Pacific, under Jon Corner, based in Hong Kong and the Middle East and India region under Claude Allain based in Dubai. This brings additional executive focus to these important markets.

## LATIN AMERICA

| | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA Restated 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **549** | 497 | 10.5% | **29** | 29 | 0.0% |

Despite flat GDP growth in Latin America, our revenue and organic growth in **Latin America** was 12% in the first half and 9% in the second half, resulting in full year revenue growth of 10.5%. Our businesses continued to post strong growth in Argentina, Mexico and Colombia and single digit growth in Brazil and Peru. The severe downturn in the mining sector saw revenues in Chile grow modestly.

Key contract wins include new secure solutions contracts in the banking and automotive sectors and FM work in Brazil for national and state governments.

In a number of key markets in Latin America, we experienced delays in the recovery of wage and cost inflation. This impact was offset by productivity initiatives and overall, PBITA was in line with 2014.

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

The comparative 2014 results have been re-presented to reclassify prior year employee-related costs from within tax to within PBITA. The adjustment reduced 2014 PBITA by £3 million at 2015 average rates.

## EUROPE

| | **Revenue 2015 £m** | Revenue Restated 2014 £m | YoY % | **PBITA 2015 £m** | PBITA Restated 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **1,159** | 1,130 | 2.6% | **77** | 82 | (6.1)% |

Our Europe region returned to growth in 2015, with revenues up by 2.6% driven by a good performance in our Netherlands cash business, the acquisition of a small monitoring response business in the Netherlands and good growth in our Belgium manned security businesses.

Our cash business in Europe posted solid revenue growth, related to increased activity in Greece.

Against this improving revenue picture, our sales margin mix was adversely impacted by changes in our contract portfolio in the Netherlands and Hungary and PBITA for the region declined by 6.1% compared with 2014. Our on-going sales and productivity programmes are expected to progressively restore and improve our average margins in Europe.

The European pipeline includes a number of opportunities with new and existing clients in the aviation, retail and banking sectors. We made further progress with portfolio management in the region, having sold or agreed to sell courier businesses in Belgium, a storage business in Austria and our businesses in Finland and Kazakhstan in early 2016.

The comparative 2014 results have been restated to correct the accounting treatment of alarm sales and related leases in Denmark. The adjustment increased 2014 PBITA by £8m at constant exchange rates. See page 19 for further details.

## NORTH AMERICA

| | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **1,518** | 1,435 | 5.8% | **94** | 80 | 17.5% |

In **North America,** our revenues grew by 5.8% for the full year, as strong growth in commercial security, security systems and cash management technology more than offset the general slowdown in Canada, where the economy has been impacted by the decline in oil and gas prices.

PBITA for the region was 17.5% higher, as higher revenue and operational gearing more than offset the costs of our investment in product and service innovation and sales capacity. The Affordable Care Act became effective in the fourth quarter of 2015 and, as expected, the Act did not have a material impact on the group's business, as our plans were already broadly compliant with the legislation.

Our retail solutions (CASH360) service line is gaining momentum with the potential for excellent growth in 2016. Our North American business has a strong contract pipeline with opportunities across diverse sectors including commerce, retail, banking and oil and gas.

## UK & IRELAND

| | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Underlying performance | **1,490** | 1,536 | (3.0)% | **116** | 128 | (9.4)% |

Revenue declined 3.0% mainly due to the Electronic Monitoring contract ending in Q1 2014 and the loss of the Tesco contract in cash solutions in Q4 2014. PBITA was 9.4% lower than 2014 principally as a result of lower revenues and an adverse change in our revenue mix. Restructuring and efficiency programmes implemented in 2015 are expected to mitigate these effects and during 2016 we are investing in new operational systems in manned security, which are expected to improve efficiency in this business. Profits in cash solutions and government services were in line with 2014.

The UK & Ireland bidding pipeline is broad-based and has grown in the areas of facilities management and outsourcing. In July 2015, the UK government announced a staggered increase in the Living Wage from April 2016 to 2020. We estimate this will have a 1-2% impact on 2016 profits.

## CORPORATE COSTS

| | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Corporate costs | **n/a** | n/a | n/a | **(50)** | (60) | 16.7% |

Corporate costs comprise the costs of the plc Board, and central function costs of running the group including executive, governance and support functions. The year on year reduction in corporate costs arises principally from organisational efficiency programmes offset by the investment in procurement and IT capability.

## UNDERLYING RESULTS BY SERVICE LINE

| **Secure Solutions**<br>At constant exchange rates | **Revenue 2015 £m** | Revenue Restated 2014 £m | YoY % | **PBITA 2015 £m** | PBITA Restated 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Emerging markets | **1,891** | 1,721 | 9.9% | **130** | 121 | 7.4% |
| Developed markets | **3,662** | 3,594 | 1.9% | **230** | 233 | (1.3)% |
| Total | **5,553** | 5,315 | 4.5% | **360** | 354 | 1.7% |

The secure solutions businesses achieved 4.5% growth in revenue and 1.7% PBITA growth. Emerging markets revenues grew by 9.9% and PBITA grew 7.4% driven by revenue growth and cost efficiencies offset by the ending of the Manus Island contract in the AME region in Q1 2014.

Developed market revenues grew by 1.9% with PBITA decreasing by 1.3%. There was good growth in North America, offset by declines in the UK and Europe.

| **Cash Solutions**<br>At constant exchange rates | **Revenue 2015 £m** | Revenue 2014 £m | YoY % | **PBITA 2015 £m** | PBITA 2014 £m | YoY % |
|---|---|---|---|---|---|---|
| Emerging markets | **375** | 365 | 2.7% | **60** | 53 | 13.2% |
| Developed markets | **505** | 507 | (0.4)% | **57** | 57 | 0.0% |
| Total | **880** | 872 | 0.9% | **117** | 110 | 6.4% |

Cash solutions revenues increased by 0.9% and PBITA grew by 6.4%, with PBITA rising to £60m in emerging markets and unchanged at £57m in developed markets. Revenue growth of 2.7% in emerging markets, was impacted by reduced movements in commodities for our G4Si valuables and logistics business.

**Basis of preparation for underlying results**

The group applies the basis of preparation as shown on page 19. To present underlying performance, 2014 comparative results are presented on a constant currency basis by applying 2015 average exchange rates. In addition, it excludes the results of certain businesses identified for sale or closure as part of the portfolio rationalisation programme announced by the group in November 2013. A detailed reconciliation is provided on page 3. Commentary below is provided at 2015 average rates, unless otherwise stated.

| Underlying results | 2015 £m | 2014 Restated £m | YoY% |
|---|---|---|---|
| Revenue | **6,433** | 6,187 | 4.0% |
| **Profit before interest, tax and amortisation (PBITA)** | **427** | 404 | 5.7% |
| Interest | **(100)** | (119) | (16.0%) |
| **Profit before tax** | **327** | 285 | 14.7% |
| Tax | **(78)** | (68) | 14.7% |
| **Profit after tax** | **249** | 217 | 14.7% |
| Non-controlling interests | **(22)** | (18) | 22.2% |
| **Profit attributable to equity holders of the parent** | **227** | 199 | 14.1% |

**Underlying Revenue and PBITA**

Underlying revenue was £6,433 million, an increase of 4.0% on 2014.

Emerging markets grew 8.6% year-on-year, with revenues of £2.3 billion, and now represent 35% of group revenue (2014: 34%). Developed markets revenues were 1.6% higher than the prior year with strong growth in North America of 5.8% and growth in Europe of 2.6%. UK & Ireland revenues declined by 3.0% as the UK Electronic Monitoring contract ended in Q1 2014 and with the loss of a large retail contract in cash solutions in Q4 2014.

Underlying PBITA of £427 million up 5.7% (2014: £404 million) represents the continuing operations of the group. PBITA margin increased to 6.6% (2014: 6.5%). We saw effects of the slowdown of commodities and oil prices in the global markets in particular affecting some of our businesses in Africa and Latin America but were able to offset these with the benefits from our productivity programmes on direct labour efficiency, route planning, telematics and focus on organisational efficiency.

The benefits from our productivity programmes also allowed us to make the necessary investments in IT, procurement, and to continue to invest in a further £7 million in sales and business development capability.

Corporate costs of £50 million are £10 million lower than for 2014, and benefit from cost and organisational efficiency offset by the investment in procurement and IT capability.

**Portfolio businesses identified for sale or closure**
The group made further progress with its portfolio management programme and since 2013 we have sold or are exiting 61 businesses with annualised revenues of c.£1.2 billion and operating losses of £30 million, based on the last full year when each of these businesses formed part of the group. This programme is greatly improving the group's strategic focus and has also realised £281 million in disposal proceeds in relation to the 23 businesses sold to date. The group's on-going portfolio management programme is expected to raise a further £250 to £350 million over the next 12 to 24 months.

**Restructuring**
The group invested £44 million (2014: £28 million) in restructuring programmes. During 2014 and 2015 these programmes focused primarily on operational and organisational efficiency in the UK & Ireland and Europe.

**Specific items**

Certain items have been disclosed separately from the underlying results to provide a better understanding of the underlying trading performance of the group. Specific items of a net £70 million (2014: £58 million) charge comprised:

- £65 million (2014: £45 million) charge mainly a result of updating estimates relating to future losses on legacy UK government and PFI contracts, including the Compass contract.

Under the UK Compass asylum seeker contract with the Home Office, G4S provides accommodation, transportation and subsistence services for asylum seekers whilst their claims are being processed. This contract commenced in 2012 and runs to 1 September 2017, with a potential extension of a further two years.

In 2014, an onerous contract provision was recognised in relation to the then-current assumptions regarding asylum seeker numbers, the duration and cost of accommodation and support services. We experienced a significant increase in the number of new asylum seekers between November 2015 and January 2016 and as a result the number of asylum seekers in our care increased by 9.6% year-on-year. We have updated the Compass provision based upon our best estimate of the increase in asylum seekers assigned to G4S, the availability of suitable accommodation approved by local authorities and the speed of processing of applications by the immigration authority.

To date, the Compass contract has not been extended and the onerous contract provision has been increased by £20 million to £31 million covering the period to August 2017. Should the contract be extended for the period to August 2019 then, based on the same assumptions as the current provision, a further provision for £57 million would be required.

The other principal onerous contract provision relates to a previously identified PFI contract entered into in 2005 and is subject to on-going discussions with the customer. A best estimate has been made based on a range of possible outcomes including a commercial or dispute resolution process.

- A net £5 million charge in respect of the remeasurement of assets and liabilities of £17 million offset by £12 million of pension related gains:

    - £17 million (2014: £34 million) charge as a result of updating the estimates and judgements applied to those assets and liabilities that were included in the balance sheet review performed in 2013, for any changes in facts or circumstances since 31 December 2014.

      In 2013 the group carried out a review of the carrying value of its assets and liabilities as at 31 December 2012, over and above its contract review, taking into account any changes in facts or circumstances since that date. This exercise required a level of judgement based on the group's then-current understanding of circumstances surrounding each issue.

      The results of the review were presented within 'specific items' and since then any increase or reversal of provision for those items has been consistently reported as a specific item. As at 31 December 2015 these estimates and judgements have been updated to reflect any further changes in facts or circumstances during the year to 31 December 2015. This concludes our review of the carrying value of assets and liabilities from 2012. All future related changes in estimates will flow through underlying results, unless these are individually material, in line with the group's policy (see note 3).

    - A £12 million (2014: £21 million) gain in relation to a pension curtailment of £5 million (2014: settlement of £21 million) as a result of transferring the future pension liabilities of the Netherlands Cash scheme to the industry wide pension fund and other gains of £7 million (2014: £nil) relating to the successful resolution and settlement of certain historical UK pension claims.

**Profit on disposal of subsidiaries and goodwill impairment**
During the year the group realised a profit on disposal of businesses of £12 million (2014: £nil). In addition, the group recorded a goodwill impairment of £66 million in relation to a business in Estonia and a number of businesses held for sale.

**Interest**
Net underlying interest payable on net debt was £88 million (2014: £97 million), benefiting from lower interest rates on swapped fixed to floating debt and the repayment of a 6.43% $150m bond in July. The pension interest charge was £12 million (2014: £22 million), resulting in total underlying interest cost of £100 million (2014: £119 million).

**Tax**
The group recognised a statutory tax charge of £50 million (2014: £46 million) on continuing profit of £78 million (2014: £128 million) which represents an effective tax rate of 64% (2014: 36%). A tax charge of £78 million (2014: £68 million) was recognised on underlying profits of £327 million (2014: £285 million) which represents an effective tax rate of 24% (2014: 24%).

The difference between the effective tax rate on continuing and underlying profits is due primarily to the absence of tax relief on goodwill impairments, the low effective tax rate attributable to costs relating to portfolio businesses and on restructuring costs.

The group's underlying effective tax rate is sensitive to the geographic mix of its taxable profits and the respective country tax rates, hence if a higher proportion of future taxable profits arises in high tax countries the underlying effective rate will increase.

### Discontinued operations

During the year progress was made in the collection of £26m ($40m) receivables relating to the sale of the US Government solutions business in November 2014. As at 31 December 2015, only £8m ($13m) receivables remain outstanding and are expected to be collected in the short term.

As at 31 December 2015 no further businesses remain classified as discontinued operations given that the entities currently being managed for sale or closure under the portfolio rationalisation programme are not significant enough to the group operations to be presented as discontinued operations under International Financial Reporting Standard 5.

### Profit for the year – underlying and statutory

The group reported underlying profit attributable to equity holders ('underlying earnings') of £227 million (2014: £199 million), an increase of 14.1% for the year ended 31 December 2015.

The group's statutory earnings of £8 million (2014: £145 million) is after losses from portfolio businesses of £40 million (2014: £25 million), restructuring costs of £44 million (2014: £29 million), provisions of £65 million relating to onerous contract provisions and a non-cash charge of £106 million for amortisation and goodwill impairment (2014: amortisation of £59 million) related to historical acquisitions, together with the corresponding tax effect.

### Earnings per share

Underlying earnings per share[a] increased to 14.7p (2014: 12.9p). Statutory earnings per share was 0.5p (2014: 9.4p). These are based on the weighted average number of shares in issue of 1,545 million (2014: 1,545 million). A reconciliation of the statutory and underlying EPS is provided below.

| | Earnings per share[a] | | | | | |
|---|---|---|---|---|---|---|
| | Underlying[a] | | | Statutory[a] | | |
| | **2015** **£m** | 2014 at constant exchange rates [a] £m | 2014 at actual exchange rates [a] £m | **2015** **£m** | 2014 at constant exchange rates [a] £m | 2014 at actual exchange rates [a] £m |
| Profit for the year | **249** | 217 | 229 | **26** | 148 | 162 |
| Non-controlling interests | **(22)** | (18) | (17) | **(18)** | (18) | (17) |
| Profit attributable to shareholders (earnings) | **227** | 199 | 212 | **8** | 130 | 145 |
| Average number of shares (m) | **1,545** | 1,545 | 1,545 | **1,545** | 1,545 | 1,545 |
| Earnings per share | **14.7p** | 12.9p | 13.7p | **0.5p** | 8.4p | 9.4p |

[a] Basis of preparation of statutory results are shown in page 19. Basis of preparation of underlying results are shown in page 10.

### Cash flow, capital expenditure and portfolio management

Underlying operating cash flow was £460 million (2014: £528 million excluding corporate items in 2014 of £27 million relating to the Electronic Monitoring contract settlement with the UK Government) – see page 32. The reduction in underlying cash flow was mainly due to an increase in working capital associated with the strong growth in the second half of 2015 of 5.4% and the temporary impact of transitioning to a shared service centre in the UK, which reversed in the first two months of 2016.

The group invested £104 million in capex (2014: £119 million) and received proceeds of £14 million (2014: £159 million) from the disposal of businesses.

The net cash inflow after investing in the business and proceeds from portfolio rationalisation was £292 million (2014: £516 million).

### Net debt

The net debt position as at 31 December 2015 was £1,782 million (2014: £1,639 million). The group's net debt to underlying EBITDA ratio is 3.3x (2014: 3.0x). Net debt includes an increase of £36m due to the effect of foreign exchange translation differences relating to the group's debt held in foreign currencies, mainly USD and Euro, and the translation loss on cash and cash equivalents in emerging markets.

The detailed operating profit to net debt reconciliation is provided on page 32 and is reconciled to the statutory cash flow on page 18. The group's business plan supports a net debt/EBITDA of 2.5x or lower in the next 12 to 24 months.

### Pensions

The group's main defined benefit scheme is in the UK which accounts for over 68% (2014: 75%) of the total defined benefit schemes operated by the group and the majority of the scheme was closed to future accrual in 2011. The group's total IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2015 was £234 million net of tax (31 December 2014: £255 million). The group has made additional pension contributions of £44 million (2014: £42 million) in respect of the deficit in the UK schemes during the year. The decrease in the defined benefit pension deficit is predominantly due to a small increase in the discount rate and a further improvement in asset values. During the year, the future pensions accruals of the Netherlands cash solutions staff plan were transferred to the industry wide pension fund, resulting in a curtailment gain of £5m presented within specific items.

The group is currently working with the trustees of the UK scheme on the triennial actuarial valuation which will determine future contributions to reduce the pension deficit. The results of this work are expected to be completed in the second half of 2016.

**Credit facilities**
In April 2015, the group's credit rating was confirmed by Standard & Poor's as BBB- (Stable). As of 31 December 2015 the group had cash on hand of £443 million and unutilised and committed facilities of £683 million. 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 main sources of finance and their applicable rates as of 31 December 2015 are set out below:

| Debt instrument/ Year of issue | Nominal amount[a] | Issued interest rate | Post hedging avg Interest rate | Year of redemption and amounts (£m)[b] 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US PP 2008 | £69m | 7.55% -7.56% | 7.02% | 25 | | 44 | | | | | **69** |
| US PP 2007 | US$450m | 5.86% - 6.06% | 1.15% | | 136 | | 98 | | | 71 | **305** |
| Public Bond May 2012 | €600m | 2.875% | 3.17% | | 469 | | | | | | **469** |
| US PP 2008 | US$298.5m | 6.78% - 6.88% | 6.94% | | | 143 | | 51 | | | **194** |
| Public Bond Dec 2012 | €500m | 2.625% | 2.70% | | | 394 | | | | | **394** |
| Public Bond 2009 | £350m | 7.75% | 6.99% | | | | 350 | | | | **350** |
| Revolving Credit Facility 2015 | £1bn (multi curr) | Libor + 1% | 1.78% | | | | | | 317 | | **317** |
| | | | | **25** | **605** | **581** | **448** | **51** | **317** | **71** | **2,098** |

[a]Nominal debt amount, for fair value carrying amount see note 19.
[b]Exchange rates @ 31/12/15 or hedged fx rates where applicable.

During 2015 a £1 billion multicurrency revolving credit facility provided by a consortium of lending banks at a drawn margin of 1.0% over LIBOR was put in place. The facility matures in January 2021, with the option of a one year extension which if exercised gives the group facilities through to January 2022. As at 31 December 2015 the drawings were US$245 million and £155 million.

The group's average cost of gross borrowings in 2015, net of interest hedging was 4.0% (2014: 4.1%).

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

| | As at 31 December 2015 | At 2015 average rates | At 2014 average rates |
|---|---|---|---|
| £/US$ | **1.4734** | **1.5282** | **1.651** |
| £/€ | **1.3559** | **1.3795** | **1.244** |
| £/South Africa Rand | **22.8124** | **19.5175** | **17.863** |
| £/India Rupee | **97.5971** | **97.9690** | **100.761** |
| £/Israel Shekel | **5.7347** | **5.9441** | **5.896** |
| £/Brazil Real | **5.8359** | **5.1054** | **3.872** |

If December 2015 closing rates were applied to the results for the year to 31 December 2015, underlying PBITA would have remained unchanged at £427 million.

**Dividend**
The board has recommended a final dividend of 5.82p per share (DKK 0.5615).

## Consolidated income statement (unaudited)

| Continuing operations | Notes | 2015 £m | 2014 Restated £m |
|---|---|---|---|
| **Revenue** | 6 | **6,863** | 6,889 |
| Operating profit before joint ventures, specific items and restructuring | | **381** | 389 |
| Share of post-tax profit from joint ventures | | **10** | 8 |
| ***Profit before interest, tax and amortisation (PBITA)*** | 6 | **391** | 397 |
| *Specific items - charges* | 7 | **(82)** | (78) |
| *Specific items - credits* | 7 | **12** | 21 |
| *Restructuring costs* | 7 | **(44)** | (29) |
| *Profit on disposal of subsidiaries* | 7 | **12** | - |
| *Acquisition-related amortisation and expenses* | | **(40)** | (59) |
| *Goodwill impairment* | 7 | **(66)** | - |
| **Operating profit** | 7 | **183** | 252 |
| Net finance expense | 10 | **(105)** | (124) |
| **Profit before tax** | | **78** | 128 |
| Tax | 11 | **(50)** | (46) |
| **Profit from continuing operations after tax** | | **28** | 82 |
| (Loss)/profit from discontinued operations | 8 | **(2)** | 80 |
| **Profit for the year** | | **26** | 162 |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | **8** | 145 |
| Non-controlling interests | | **18** | 17 |
| **Profit for the year** | | **26** | 162 |
| | | | |
| **Earnings per share attributable to equity shareholders of the parent** | 13 | | |
| Basic and diluted - continuing operations | | **0.6p** | 4.2p |
| Basic and diluted - total group operations | | **0.5p** | 9.4p |
| | | | |
| **Dividends declared and proposed in respect of the year** | | | |
| Interim dividend of 3.59p per share (2014: 3.42p) | | **55** | 53 |
| Final dividend of 5.82p per share (2014: 5.82p) | | **90** | 90 |
| **Total dividend of 9.41p per share (2014: 9.24p)** | 12 | **145** | 143 |

For further details on the basis of preparation of the consolidated income statement and the restatement of the results for the year ended 31 December 2014, see page 19.

# Consolidated statement of comprehensive income (unaudited)

| | 2015<br>£m | 2014<br>Restated<br>£m |
|---|---|---|
| Profit for the year | **26** | 162 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| Remeasurements on defined retirement benefit schemes | **18** | 155 |
| Tax on items that will not be reclassified to profit or loss | **(11)** | (36) |
| | **7** | 119 |
| **Items that are or may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations and change in fair value of cash flow hedging financial instruments | **(96)** | (38) |
| Tax on items that are or may be reclassified subsequently to profit or loss | **1** | 6 |
| | **(95)** | (32) |
| **Other comprehensive (loss)/income, net of tax** | **(88)** | 87 |
| **Total comprehensive (loss)/income for the year** | **(62)** | 249 |
| Attributable to: | | |
| Equity holders of the parent | **(81)** | 233 |
| Non-controlling interests | **19** | 16 |
| **Total comprehensive (loss)/income for the year** | **(62)** | 249 |

# Consolidated statement of changes in equity (unaudited)

| | **Attributable to equity holders of the parent** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital 2015 £m** | **Share premium 2015 £m** | **Retained earnings 2015 £m** | **Other reserves 2015 £m** | **Total 2015 £m** | **NCI reserve 2015 £m** | **Total Equity 2015 £m** |
| At 1 January 2015 - restated | **388** | **258** | **(42)** | **296** | **900** | **22** | **922** |
| Total comprehensive income/(loss) | **-** | **-** | **14** | **(95)** | **(81)** | **19** | **(62)** |
| Dividends paid | **-** | **-** | **(145)** | **-** | **(145)** | **(29)** | **(174)** |
| Transactions with non-controlling interests | **-** | **-** | **(2)** | **-** | **(2)** | **-** | **(2)** |
| Share-based payments | **-** | **-** | **7** | **-** | **7** | **-** | **7** |
| Re-classification of non-controlling interests | **-** | **-** | **(6)** | **-** | **(6)** | **6** | **-** |
| At 31 December 2015 | **388** | **258** | **(174)** | **201** | **673** | **18** | **691** |

| | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital 2014 £m | Share premium 2014 £m | Retained earnings 2014 £m | Other reserves 2014 £m | Total 2014 £m | NCI reserve 2014 £m | Total 2014 £m |
| At 1 January 2014 - reported | 388 | 258 | (418) | 636 | 864 | 20 | 884 |
| Restatements for prior year errors | - | - | (55) | - | (55) | - | (55) |
| Re-classification of hedging reserve | - | - | (3) | 3 | - | - | - |
| At 1 January 2014 - restated | 388 | 258 | (476) | 639 | 809 | 20 | 829 |
| Total comprehensive income - restated | - | - | 265 | (32) | 233 | 16 | 249 |
| Dividends paid | - | - | (138) | - | (138) | (11) | (149) |
| Transfer to retained earnings | - | - | 308 | (308) | - | - | - |
| Recycling of translation reserves on disposal | - | - | - | (3) | (3) | - | (3) |
| Transactions with non-controlling interests | - | - | (6) | - | (6) | (3) | (9) |
| Share-based payments | - | - | 5 | - | 5 | - | 5 |
| At 31 December 2014 - restated | 388 | 258 | (42) | 296 | 900 | 22 | 922 |

# Consolidated statement of financial position (unaudited)

| | Notes | 31 December 2015 £m | 31 December 2014 Restated £m | 1 January 2014 Restated £m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **1,828** | 1,924 | 1,940 |
| Other acquisition-related intangible assets | | **47** | 84 | 141 |
| Other intangible assets | | **82** | 82 | 77 |
| Property, plant and equipment | | **427** | 468 | 517 |
| Trade and other receivables | | **84** | 97 | 34 |
| Investment in joint ventures | | **18** | 41 | 104 |
| Retirement benefit surplus | *15* | **76** | 75 | 31 |
| Deferred tax assets | *11* | **187** | 192 | 196 |
| | | **2,749** | 2,963 | 3,040 |
| **Current assets** | | | | |
| Inventories | | **103** | 108 | 112 |
| Investments | | **49** | 44 | 39 |
| Trade and other receivables | | **1,316** | 1,366 | 1,378 |
| Cash and cash equivalents | | **443** | 422 | 532 |
| Assets classified as held for sale | *14* | **58** | 6 | 220 |
| | | **1,969** | 1,946 | 2,281 |
| **Total assets** | | **4,718** | 4,909 | 5,321 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Bank overdrafts | | **(41)** | (20) | (11) |
| Bank loans | | **(75)** | (60) | (27) |
| Loan notes | | **(25)** | (96) | (61) |
| Obligations under finance leases | | **(19)** | (25) | (31) |
| Trade and other payables | | **(1,036)** | (1,125) | (1,181) |
| Current tax liabilities | *11* | **(36)** | (55) | (48) |
| Provisions | *16* | **(90)** | (90) | (195) |
| Liabilities associated with assets classified as held for sale | *14* | **(30)** | (4) | (133) |
| | | **(1,352)** | (1,475) | (1,687) |
| **Non-current liabilities** | | | | |
| Bank loans | | **(324)** | (105) | (140) |
| Loan notes | | **(1,749)** | (1,803) | (1,921) |
| Obligations under finance leases | | **(45)** | (52) | (70) |
| Trade and other payables | | **(41)** | (35) | (33) |
| Retirement benefit obligations | *15* | **(355)** | (394) | (535) |
| Provisions | *16* | **(152)** | (104) | (62) |
| Deferred tax liabilities | *11* | **(9)** | (19) | (44) |
| | | **(2,675)** | (2,512) | (2,805) |
| **Total liabilities** | | **(4,027)** | (3,987) | (4,492) |
| **Net assets** | | **691** | 922 | 829 |
| **EQUITY** | | | | |
| Share capital | | **388** | 388 | 388 |
| Share premium | | **258** | 258 | 258 |
| Reserves | | **27** | 254 | 163 |
| Equity attributable to equity holders of the parent | | **673** | 900 | 809 |
| Non-controlling interests | | **18** | 22 | 20 |
| **Total equity** | | **691** | 922 | 829 |

# Consolidated statement of cash flows (unaudited)

| | 2015 £m | 2014 Restated £m |
|---|---|---|
| **Net cash flow from operating activities of continuing operations (see note 18)** | **359** | 346 |
| **Net cash flow from operating activities of discontinued operations** | **26** | (2) |
| **Cash generated by operations** | **385** | 344 |
| Tax paid | **(102)** | (79) |
| **Net cash flow from operating activities** | **283** | 265 |
| **Investing activities** | | |
| Purchases of non-current assets | **(111)** | (135) |
| Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related | **7** | 16 |
| Disposal of subsidiaries | **14** | 159 |
| Acquisition of subsidiaries | **(17)** | (3) |
| Cash, cash equivalents and bank overdrafts in disposed/acquired entities | **(3)** | (12) |
| Interest received | **16** | 12 |
| Purchase of investments | **(1)** | (2) |
| Cash flow from equity accounted investments | **14** | 9 |
| **Net cash (used in)/generated by investing activities** | **(81)** | 44 |
| **Financing activities** | | |
| Dividends paid to equity shareholders of the parent | **(145)** | (138) |
| Dividends paid to non-controlling interests | **(29)** | (11) |
| Other net movement in borrowings | **139** | (91) |
| Interest paid | **(107)** | (128) |
| Repayment of obligations under finance leases | **(31)** | (32) |
| Movement in customer cash balances | **-** | (22) |
| Transactions with non-controlling interests | **(2)** | (10) |
| **Net cash flow from financing activities** | **(175)** | (432) |
| **Net increase/(decrease) in cash, cash equivalents and bank overdrafts** | **27** | (123) |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | **402** | 536 |
| Effect of foreign exchange rate fluctuations on cash held | **(22)** | (11) |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | **407** | 402 |

**Reconciliation of net cash flow from operating activities of continuing operations to operating cash flow from continuing operations**

| | 2015 £m | 2014 Restated £m |
|---|---|---|
| **Operating cash flow before movements in working capital** | **428** | 323 |
| Net movement in working capital | **(69)** | 23 |
| **Net cash flow from operating activities of continuing operations** | **359** | 346 |
| Adjustments for: | | |
| Restructuring spend | **46** | 47 |
| EM settlement and receivables | **-** | 89 |
| Pension deficit repair payments | **44** | 42 |
| **Operating cash flow from continuing operations** | **449** | 524 |

# Notes to the preliminary results announcement (continued)

**1) Basis of preparation and accounting policies**

The financial information set out above has been prepared in accordance with International Financial Reporting Standards adopted by the European Union and does not constitute the company's statutory accounts for the years ended 31 December 2015 or 2014. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The previous auditors reported on the 2014 accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This preliminary results announcement has been prepared applying consistent accounting policies to those applied by the group in the Annual Report and Accounts 2014, except as described in note 2.

The group has prepared the consolidated financial statements on a going concern basis.

The comparative 2014 results have been restated to reflect prior year corrections for material errors and for certain reclassifications, as indicated in note 2 below.

**2) Prior year restatements and reclassifications**

**Prior year restatement**

During the year the group identified prior year errors that required the restatement of the results for the year ended 31 December 2014, as well as the consolidated statements of financial position as at 31 December 2014 and at 1 January 2014 due to their materiality. The nature of these restatements is as follows:

1. The revenue recognition policy previously applied in respect of the supply and installation of alarm systems in Europe, together with the underlying assumptions used in 2007 at inception of certain related sale and leaseback transactions entered into until 2013 were incorrect. These led to the incorrect timing of recognition of profit on installation of those alarm systems and to certain leases being classified as operating leases rather than as finance leases;
2. A number of legacy control weaknesses identified in the Africa region led management to perform a full review of the balance sheet in all countries of the region from which prior year errors were identified, mainly relating to cash reconciliations, under-accrual of employee and customer-related liabilities, and expenses incorrectly capitalised; and
3. A number of errors have been identified in respect of the calculation of goodwill on certain acquisitions, of gains and losses on certain disposals and related tax balances in North America between 2007 and 2014.

**Prior year reclassifications**

The consolidated income statement for the year ended 31 December 2014 has been re-presented to reflect the reclassification of certain discontinued businesses that have not been sold within one year from the date they were classified into discontinued operations, into continuing operations. This reclassification has resulted in continuing revenue increasing by £41 million, and continuing PBITA reducing by £7 million, for the year ended 31 December 2014. In addition, £3m in respect of certain employee-related costs in Latin America has been reclassified to PBITA rather than tax in 2014 to align with the presentation within the 2015 results.

The consolidated statements of financial position at 31 December 2014 and at 1 January 2014 have been represented to show separately the retirement benefit surplus within the GSL section of the UK defined benefit pension scheme, and for the reclassification of certain cash balances in North America previously reported within investments.

**Summary**

A summary of the combined impact on the consolidated income statement for the year ended 31 December 2014 as well as on the consolidated statement of financial position as at 31 December 2014, arising from the above mentioned restatements and the re-classifications, is as follows:

| **Consolidated income statement for the year ended 31 December 2014** | As reported | Restatement for prior year errors | **Revised** | Re-classifications | **Restated** |
|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | **£m** |
| Revenue from continuing operations | 6,848 | - | **6,848** | 41 | **6,889** |
| Operating profit before specific items | 414 | (7) | **407** | (10) | **397** |
| Profit before tax | 148 | (8) | **140** | (12) | **128** |
| Profit from continuing operations after tax | 106 | (13) | **93** | (11) | **82** |
| Profit from discontinued operations | 63 | 6 | **69** | 11 | **80** |
| **Profit for the year** | **169** | **(7)** | **162** | **-** | **162** |

# Notes to the preliminary results announcement (continued)

**2) Prior year restatements and reclassifications continued**

| **Consolidated statement of cash flows for the year ended 31 December 2014** | As reported £m | Restatement for prior year errors £m | Re-classifications £m | **Restated £m** |
|---|---|---|---|---|
| Net cash flow from operating activities | 255 | 10 | - | **265** |
| Net cash generated by investing activities | 26 | 2 | 16 | **44** |
| Net cash flow from financing activities | (417) | (15) | - | **(432)** |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | (136) | (3) | 16 | **(123)** |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | 538 | (2) | - | **536** |
| Effect of foreign exchange rate fluctuations on cash held | (11) | - | - | **(11)** |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | 391 | (5) | 16 | **402** |

| **Consolidated statement of financial position as at 31 December 2014** | As reported £m | Restatement for prior year errors £m | Re-classifications £m | **Restated £m** |
|---|---|---|---|---|
| Goodwill | 1,939 | (15) | | 1,924 |
| Property, plant and equipment | 450 | 18 | - | 468 |
| Retirement benefit surplus | - | - | 75 | 75 |
| Deferred tax assets | 176 | 16 | - | 192 |
| Investments | 60 | - | (16) | 44 |
| Trade and other receivables | 1,371 | (5) | - | 1,366 |
| Cash and cash equivalents | 409 | (3) | 16 | 422 |
| Other assets | 417 | 1 | - | 418 |
| Total Assets | 4,822 | 12 | 75 | 4,909 |
| Obligation under finance leases (current) | (14) | (11) | - | (25) |
| Trade and other payables (current) | (1,103) | (22) | - | (1,125) |
| Obligation under finance leases (non-current) | (26) | (26) | - | (52) |
| Retirement benefit obligations | (319) | - | (75) | (394) |
| Other liabilities | (2,390) | (1) | - | (2,391) |
| Total Liabilities | (3,852) | (60) | (75) | (3,987) |
| **Net assets** | **970** | **(48)** | **-** | **922** |
| **Equity** | **970** | **(48)** | **-** | **922** |

Full details of the impact of each individual prior year adjustment on the line items in the consolidated income statement and statement of cash flows for the year ended 31 December 2014 and on the statements of financial position as at 31 December 2014 and 1 January 2014 by reporting segment are shown in note 20.

**3) Specific items and other separately disclosed items**

The group's consolidated income statement and segmental analysis note separately identify results before specific items. Specific items are those that in management's judgement need to 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 the results of updating estimates and judgements for certain assets and liabilities related to the balance sheet review performed in 2013 as well as increases to or reversals of provisions for onerous contracts that were classified as specific items due to their materiality in relation to the respective regional underlying results. The group's review of the carrying value of assets and liabilities from 2012 is now concluded. All future related changes in estimates will flow through underlying results, unless these are individually material.

**3) Specific items and other separately disclosed items continued**

In order to provide further clarity in the consolidated income statement, the group also discloses separately restructuring costs, profits or losses on disposal of subsidiaries, acquisition-related amortisation and expenses and goodwill impairment.

Restructuring costs that are separately disclosed reflect the multi-year efficiency programme which is being carried out by the group. This programme is of a strategic nature and, as such, is monitored and approved by the group's executive committee. During 2014 and 2015 activities under the programme have focused primarily on transforming the operating model in the regions of UK & Ireland and Europe. During the second half of 2015 this programme began to address organisational efficiency in Latin America, Africa, Asia and North America. Restructuring costs that are incurred in the normal course of business are recorded as part of the group's underlying trading results.

**4) Adoption of new and revised accounting standards and interpretations**

The IASB issued a number of amendments to IFRSs that became applicable for the year ended 31 December 2015 which the group has adopted. None of these amendments had a material impact on the group's consolidated financial statements.

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 2015. The directors are currently evaluating the impact of these new standards on the group accounts.

- Amendments to IFRS11 – Acquisitions of interests in Joint Operations
- Amendments to IFRS10 and IAS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS16 and IAS38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS1 – Disclosure initiative
- Amendments to IFRS10 and IAS28 – Investment entity amendments

The group continues to assess the potential impact of IFRS 15 – *Revenue from Contracts with Customers*, on its consolidated financial statements and will adopt the standard from its new effective date for the year ended 31 December 2018.

In addition, the group notes the publication of IFRS 16 – *Leases*, will be effective for the group's financial year ended 31 December 2019 and will assess the potential impact in due course.

**5) 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 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions which are of most significance in preparing the group's consolidated financial statements will be described in more detail in the 2015 annual report and accounts. For the current year significant judgements and estimates were required in relation to onerous contract provisions. These are explained in detail on page 10.

# Notes to the preliminary results announcement (continued)

**6) Operating segments**

The group operates on a worldwide basis and for the two years ended 31 December 2015 derived 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 the reportable segments, the group executive committee (the chief operating decision maker) reviews internal management reports on a regular basis.

Segment information for continuing operations is presented below:

| Revenue by reportable segment | **2015** **£m** | 2014 Restated £m |
|---|---|---|
| Africa | **470** | 484 |
| Asia Middle East | **1,421** | 1,330 |
| Latin America | **626** | 685 |
| **Emerging markets** | **2,517** | 2,499 |
| Europe | **1,304** | 1,438 |
| North America | **1,523** | 1,365 |
| UK & Ireland | **1,519** | 1,587 |
| **Developed markets** | **4,346** | 4,390 |
| **Total revenue** | **6,863** | **6,889** |

| Operating profit by reportable segment | **2015** **£m** | 2014 Restated £m |
|---|---|---|
| Africa | **30** | 30 |
| Asia Middle East | **117** | 94 |
| Latin America | **15** | 35 |
| **Emerging markets** | **162** | 159 |
| Europe | **74** | 93 |
| North America | **90** | 75 |
| UK & Ireland | **115** | 130 |
| **Developed markets** | **279** | 298 |
| **Operating profit before corporate costs** | **441** | **457** |
| Corporate costs | **(50)** | (60) |
| **Profit before interest, tax and amortisation (PBITA)** | **391** | **397** |
| Net specific items | **(70)** | (57) |
| Restructuring costs | **(44)** | (29) |
| Profit on disposal of subsidiaries | **12** | - |
| Goodwill impairment | **(66)** | - |
| Acquisition-related amortisation and expenses | **(40)** | (59) |
| **Operating profit** | **183** | **252** |

# Notes to the preliminary results announcement (continued)

**7) Operating profit**

The income statement can be analysed as follows, reflecting the allocation of specific items to cost of sales and administration expenses:

| | 2015 | 2014 Restated |
|---|---|---|
| **Continuing operations** | **£m** | £m |
| Revenue | **6,863** | 6,889 |
| Cost of sales | **(5,657)** | (5,589) |
| Gross profit | **1,206** | 1,300 |
| Administration expenses | **(967)** | (1,056) |
| Goodwill impairment | **(66)** | - |
| Share of post-tax profit from joint ventures | **10** | 8 |
| **Operating profit** | **183** | 252 |

Operating profit includes items that are separately disclosed for the year ended 31 December 2015 related to:

- A £70m specific items charge (2014: £57m) comprised of a £65m (2014: £45m) charge related to onerous contracts (see page 10) and a net £5m charge comprised of a £17m (2014: £33m) charge relating to changes to the estimates made in the review of assets and liabilities, mainly in relation to the items identified in the balance sheet review performed in 2013, offset by a £12m credit (2014: £21m), related to a pension curtailment of £5m (2014: settlement of £21m), and other gains of £7m (2014: £nil)

- The group invested £44m in restructuring activities during the year (2014: £29m), mainly relating to the multi-year efficiency programme across the group. During 2014 and 2015 these programmes have focused primarily on transforming the operating model in the regions of UK & Ireland and Europe. During the second half of 2015 these programmes began to address organisational efficiency in Latin America, Africa, Asia and North America; and

- A net £54m (2014: £nil) charge comprising goodwill impairment of £66m, including £41m in relation to businesses expected to be sold or closed and £25m relating to a business in Estonia, offset by profit on disposal of £12m mainly relating to the disposal of the group's International Parcel Service business in Asia Middle East.

**8) Discontinued operations**

During the year the group has reclassified the group's business in Costa Rica, together with certain small businesses that had been classified as discontinued operations for more than 12 months and not yet been sold, into continuing operations (see page 4). This resulted in total revenue increasing by £41m and total PBITA reducing by £7m for the year ended 31 December 2014.

Operations qualifying as discontinued for the prior year mainly comprised the US Government solutions business, sold in November 2014, the group's cash solutions business in Canada and its business in Norway, both sold in January 2014, the group's business in Sweden, sold in September 2014 and the group's business in Costa Rica.

For the year ended 31 December 2015, the operating cash flow related to discontinued operations was £26m (2014: £2m outflow) which related entirely to the collection of receivables relating to the US Government Solutions business. Cash flow from investing activities was £nil (2014: £152m) and cash flow from financing activities was £nil (2014: £17m outflow).

**9) Acquisitions**

The group has invested £17m (2014: £3m) in the year on acquisitions, mainly relating to deferred consideration on acquisitions made in prior years as well as a number of bolt-on businesses acquired in the Netherlands, Greece and Colombia. In addition, during the year shareholder agreements were re-negotiated for certain joint ventures resulting in the group obtaining control of these operations.

**10) Net finance expense**

| | 2015 £m | 2014 Restated £m |
|---|---|---|
| Interest and other income on cash, cash equivalents and investments | **13** | 12 |
| Interest receivable on loan note related derivatives | **13** | 11 |
| Interest costs on bank overdrafts, loans, and loan notes | **(111)** | (115) |
| Interest costs on obligations under finance leases | **(4)** | (6) |
| Other interest charges | **(4)** | (4) |
| Net group borrowing costs | **(93)** | (102) |
| Finance costs on defined retirement benefit obligations | **(12)** | (22) |
| Net finance expense | **(105)** | (124) |

**11) Tax**

| | 2015 £m | 2014 Restated £m |
|---|---|---|
| Current taxation expense | **(62)** | (90) |
| Deferred taxation credit | **12** | 44 |
| Total income tax expense for the year | **(50)** | (46) |

The effective tax rate on continuing operations is 64% (2014: 36%), driven primarily by the absence of tax deductions in respect of goodwill impairment charges, the impact of tax rates on non-UK operations being in excess of the UK corporation tax rate, and losses for which deferred tax assets cannot be recognised in full.

As at 31 December 2015, the group recognised deferred tax assets of £187m, deferred tax liabilities of £9m, tax payable of £36m and tax recoverable of £48m.

As at 31 December 2015 the group has adequate provision for liabilities likely to arise in accounting periods which remain open to enquiry by tax authorities. The group operates in a large number of countries and is typically subject to challenges from tax authorities in respect of its tax filings, particularly in respect of transfer pricing. The final outcome of tax audit settlements can vary from the amounts initially provided.

As at 31 December 2015, the group has estimated gross tax losses of £551m which are currently not recognised as deferred tax assets. The recognition of such deferred tax assets is dependent upon the availability of future taxable profits in the relevant legal entities based upon the appropriate business plans.

**12) Dividends**

| | Pence per share | DKK per share | 2015 £m | 2014 £m |
|---|---|---|---|---|
| **Amounts recognised as distributions to equity holders of the parent in the year** | | | | |
| 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 |
| Final dividend for the year ended 31 December 2014 | 5.82 | 0.6041 | **90** | - |
| Interim dividend for the six months ended 30 June 2015 | 3.59 | 0.3793 | **55** | - |
| | | | **145** | 138 |
| Proposed final dividend for the year ended 31 December 2015 | 5.82 | 0.5615 | **90** | |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 10 June 2016 to shareholders who are on the register on 29 April 2016. The exchange rate used to translate it into Danish kroner is that at 8 March 2016.

# Notes to the preliminary results announcement (continued)

**13) Earnings per share attributable to equity shareholders of the parent**

| | **2015** **£m** | 2014 restated £m |
|---|---|---|
| **(a) From continuing and discontinued operations** | | |
| **Earnings** | | |
| Profit for the year attributable to equity shareholders of the parent | **8** | 145 |
| Weighted average number of ordinary shares (m) | **1,545** | 1,545 |
| **Earnings per share from continuing and discontinued operations (pence)** | | |
| Basic and diluted | **0.5p** | **9.4p** |
| **(b) From continuing operations** | | |
| **Earnings** | | |
| Profit for the year attributable to equity shareholders of the parent | **8** | 145 |
| Adjustment to exclude loss/(profit) for the year from discontinued operations (net of tax) | **2** | (80) |
| **Profit from continuing operations** | **10** | **65** |
| **Earnings per share from continuing operations (pence)** | | |
| Basic and diluted | **0.6p** | **4.2p** |
| **(c) From discontinued operations** | | |
| **(Loss)/earnings per share from discontinued operations (pence)** | | |
| Basic and diluted | **(0.1)p** | **5.2p** |

**14) Disposal groups classified as held for sale**

As at 31 December 2015, disposal groups classified as held for sale included the assets and liabilities associated with certain operations in Asia Middle East, Europe and Latin America.

At 31 December 2014, disposal groups held for sale mainly comprised the assets and liabilities associated with the group's business in Costa Rica.

**15) Retirement benefit obligations**

**Pensions**

The group's main defined benefit scheme is in the UK which accounts for over 68% (2014: 75%) of the total defined benefit schemes operated by the group and the majority of the scheme was closed to future accrual in 2011. The group's total IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2015 was £234m net of tax (31 December 2014: £255m). The group has made additional pension contributions of £44m (2014: £42m) in respect of the deficit in the UK schemes during the year. The decrease in the net defined benefit pension deficit is predominantly due to a small increase in the discount rate and a further improvement in asset values. During the year, the future pension accruals of the Netherlands Cash Solutions Staff Plan were transferred to the Industry Wide Pension Fund, resulting in a curtailment gain of £5m presented within specific items.

The group is currently working with the trustees of the UK scheme on the triennial actuarial valuation which will determine future contributions for the repayment of the pension deficit. The results of this work are expected to be completed in the second half of 2016.

## Notes to the preliminary results announcement (continued)

**16) Provisions**

| | Employee benefits | Restructuring | Claims | Onerous customer contracts | Property and other* | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| At 1 January 2015 - restated | **24** | **17** | **91** | **47** | **15** | **194** |
| Additional provisions in the year | **4** | **48** | **43** | **65** | **18** | **178** |
| Acquisition of subsidiary | **6** | **-** | **-** | **-** | **-** | **6** |
| Utilisation of provision | **(5)** | **(49)** | **(31)** | **(28)** | **(5)** | **(118)** |
| Transfers and reclassifications | **(9)** | **(2)** | **(3)** | **-** | **1** | **(13)** |
| Unused amounts reversed | **-** | **-** | **-** | **(1)** | **(3)** | **(4)** |
| Translation adjustments | **(1)** | **-** | **-** | **-** | **-** | **(1)** |
| **At 31 December 2015** | **19** | **14** | **100** | **83** | **26** | **242** |
| | | | | | | |
| Included in current liabilities | | | | | | **90** |
| Included in non-current liabilities | | | | | | **152** |
| | | | | | | **242** |

*Property and other incudes £12m (2014: £9m) of onerous property lease provisions.

**17) Analysis of net debt**

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

| | **2015** | 2014 Restated |
|---|---|---|
| | **£m** | £m |
| Cash and cash equivalents | **443** | 422 |
| Investments | **49** | 44 |
| Net cash and overdrafts included within assets held for sale | **5** | - |
| Net debt included within assets held for sale | **(6)** | (1) |
| Bank overdrafts | **(41)** | (20) |
| Bank loans | **(399)** | (165) |
| Loan notes | **(1,774)** | (1,899) |
| Obligations under finance leases | **(64)** | (77) |
| Fair value of loan note derivative financial instruments* | **5** | 57 |
| Total net debt | **(1,782)** | (1,639) |

*During the year the group has changed its definition of net debt to include certain cross-currency swap liabilities specifically relating to the group’s borrowings that were previously excluded. As a result, opening net debt increased by £19m.

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

| | 2015 £m | 2014 Restated £m |
|---|---|---|
| **Operating profit** | **183** | 252 |
| Adjustments for non-cash and other items: | | |
| Goodwill impairment | **66** | - |
| Acquisition-related amortisation and expenses | **40** | 59 |
| Profit on disposal of subsidiaries | **(12)** | - |
| Loss/(profit) on disposal of fixed assets | **2** | (3) |
| Pension curtailment/settlement gain | **(5)** | (21) |
| Depreciation of property, plant and equipment | **110** | 120 |
| Impairment of other fixed assets | **-** | 4 |
| Amortisation of other intangible assets | **25** | 25 |
| Share of profit from joint ventures | **(10)** | (8) |
| Equity-settled transactions | **7** | 5 |
| Increase/(decrease) in provisions | **66** | (68) |
| Additional pension contributions | **(44)** | (42) |
| **Operating cash flow before movements in working capital** | **428** | 323 |
| Net working capital movement | **(69)** | 23 |
| **Net cash flow from operating activities of continuing operations** | **359** | 346 |

# Notes to the preliminary results announcement (continued)

**19) Fair value of financial instruments**

The carrying amounts, fair value and fair value hierarchy relating to those financial instruments, including those that have been recorded at amortised cost, where the carrying amount differs from fair value, based on expectations at the reporting date, are shown below:

| | Category | Level | **2015 Carrying amount £m** | **2015 Fair value £m** | 2014 Carrying amount £m | 2014 Fair value £m |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Investments | FVTPL | 1 | **49** | **49** | 60 | 60 |
| Interest rate swaps | FVTPL | 2 | **40** | **40** | 49 | 49 |
| Foreign exchange forwards | FVTPL | 2 | **-** | **-** | 1 | 1 |
| Cross currency swaps | CFH | 2 | **9** | **9** | 28 | 28 |
| **Financial liabilities** | | | | | | |
| Loan notes | FVH | 2 | **(691)** | **(733)** | (684) | (745) |
| Interest rate swaps | CFH | 2 | **(1)** | **(1)** | (1) | (1) |
| Commodity swaps | CFH | 2 | **(3)** | **(3)** | (5) | (5) |
| Cross currency swaps | CFH | 2 | **(45)** | **(45)** | (19) | (19) |
| Loan notes* | AC | 2 | **(1,083)** | **(1,144)** | (1,215) | (1,302) |

*Of the loan note liabilities shown, £44m of July 2008, €90m (£66m) of May 2012 loan notes and €120m (£89m) of December 2012 loan notes are designated in fair value hedge relationships.

Category key:

| | |
|---|---|
| FVTPL | Fair value through profit or loss |
| CFH | Cash flow hedges |
| FVH | Fair value hedge |
| AC | Amortised cost |

**20) Details of the impact of the 2014 restatement**

Full details of the impact of each individual prior year adjustment on the line items in the consolidated income statement and statement of cash flows for the year ended 31 December 2014, and on the statements of financial position as at 31 December 2014 and 1 January 2014, are shown below:

**Consolidated income statement for the year ended 31 December 2014**

| | As reported £m | Europe £m | Africa £m | North America £m | **Restated £m** | Re-classifications £m | **Re-presented £m** |
|---|---|---|---|---|---|---|---|
| Revenue from continuing operations | 6,848 | 1 | (1) | - | **6,848** | 41 | **6,889** |
| Operating profit before specific items | 414 | 9 | (16) | - | **407** | (10) | **397** |
| Profit before tax | 148 | 7 | (15) | - | **140** | (12) | **128** |
| Profit from continuing operations after tax | 106 | 5 | (17) | (1) | **93** | (11) | **82** |
| Profit from discontinued operations | 63 | - | - | 6 | **69** | 11 | **80** |
| **Profit for the year** | **169** | 5 | (17) | 5 | **162** | **-** | **162** |

**Consolidated statement of cash flows for the year ended 31 December 2014**

| | As reported £m | Europe £m | Africa £m | North America* £m | **Restated £m** |
|---|---|---|---|---|---|
| Net cash flow from operating activities | 255 | 11 | (1) | - | **265** |
| Net cash generated by investing activities | 26 | 3 | (1) | 16 | **44** |
| Net cash flow from financing activities | (417) | (14) | (1) | - | **(432)** |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | (136) | - | (3) | 16 | **(123)** |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | 538 | - | (2) | - | **536** |
| Effect of foreign exchange rate fluctuations on cash held | (11) | - | - | - | **(11)** |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | 391 | - | (5) | 16 | **402** |

* Certain cash balances in North America previously reported within investments were re-classified in the year to within cash.

# Notes to the preliminary results announcement (continued)

**Consolidated statement of financial position at 31 December 2014**

| | As reported | Europe | Africa | North America | Re-classifications | **Restated** |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | **£m** |
| **ASSETS** | | | | | | |
| Goodwill | 1,939 | - | - | (15) | - | **1,924** |
| Property, plant and equipment | 450 | 15 | 3 | - | - | **468** |
| Retirement benefit surplus | - | - | - | - | 75 | **75** |
| Investments | 60 | - | - | - | (16) | **44** |
| Deferred tax assets | 176 | 5 | - | 11 | - | **192** |
| Other non-current assets | 303 | - | 1 | - | - | **304** |
| Trade and other receivables | 1,371 | - | (5) | - | - | **1,366** |
| Cash and cash equivalents | 409 | - | (3) | - | 16 | **422** |
| Other current assets | 114 | - | - | - | - | **114** |
| | 4,822 | 20 | (4) | (4) | 75 | **4,909** |
| **LIABILITIES** | | | | | | |
| Obligations under finance leases | (14) | (10) | (1) | - | - | **(25)** |
| Trade and other payables | (1,103) | (7) | (15) | - | - | **(1,125)** |
| Provisions | (90) | - | - | - | - | **(90)** |
| Current tax liabilities | (69) | - | - | 14 | - | **(55)** |
| Other current liabilities | (178) | - | (2) | - | - | **(180)** |
| Obligations under finance leases (non-current) | (26) | (23) | (3) | - | - | **(52)** |
| Trade and other payables (non-current) | (23) | (12) | - | - | - | **(35)** |
| Provisions (non-current) | (105) | 2 | (1) | - | - | **(104)** |
| Retirement benefit obligations | (319) | - | - | - | (75) | **(394)** |
| Deferred tax liabilities (non-current) | (17) | 2 | - | (4) | - | **(19)** |
| Other non-current liabilities | (1,908) | - | - | - | - | **(1,908)** |
| | (3,852) | (48) | (22) | 10 | (75) | **(3,987)** |
| **Net assets** | 970 | (28) | (26) | 6 | - | **922** |
| **EQUITY** | | | | | | |
| Share capital | 388 | - | - | - | - | **388** |
| Share premium and reserves | 560 | (28) | (26) | 6 | - | **512** |
| Equity attributable to equity holders of the parent | 948 | (28) | (26) | 6 | - | **900** |
| Non-controlling interests | 22 | - | - | - | - | **22** |
| **Total equity** | 970 | (28) | (26) | 6 | - | **922** |

## Notes to the preliminary results announcement (continued)

| Consolidated statement of financial position at 1 January 2014 | As reported £m | Europe £m | Africa £m | North America £m | Re-classifications £m | **Restated £m** |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Goodwill | 1,955 | - | - | (15) | - | **1,940** |
| Property, plant and equipment | 484 | 29 | 4 | - | - | **517** |
| Retirement benefit surplus | - | - | - | - | 31 | **31** |
| Deferred tax assets | 184 | 7 | - | 5 | - | **196** |
| Other non-current assets | 356 | - | - | - | - | **356** |
| Investments | 39 | - | - | - | - | **39** |
| Trade and other receivables | 1,380 | - | (2) | - | - | **1,378** |
| Other current assets | 864 | - | - | - | - | **864** |
| | 5,262 | 36 | 2 | (10) | 31 | **5,321** |
| LIABILITIES | | | | | | |
| Obligations under finance leases | (21) | (10) | - | - | - | **(31)** |
| Trade and other payables | (1,166) | (10) | (5) | - | - | **(1,181)** |
| Provisions | (195) | - | - | - | - | **(195)** |
| Other current liabilities | (278) | - | (2) | - | - | **(280)** |
| Obligations under finance leases (non-current) | (31) | (35) | (4) | - | - | **(70)** |
| Trade and other payables (non-current) | (13) | (20) | - | - | - | **(33)** |
| Provisions (non-current) | (64) | 2 | - | - | - | **(62)** |
| Retirement benefit obligations | (504) | - | - | - | (31) | **(535)** |
| Deferred tax liabilities (non-current) | (45) | 2 | - | (1) | - | **(44)** |
| Other non-current liabilities | (2,061) | - | - | - | - | **(2,061)** |
| | (4,378) | (71) | (11) | (1) | (31) | **(4,492)** |
| **Net assets** | **884** | **(35)** | **(9)** | **(11)** | **-** | **829** |
| **EQUITY** | | | | | | |
| Share capital | 388 | - | - | - | - | **388** |
| Share premium and reserves | 476 | (35) | (9) | (11) | - | **421** |
| Equity attributable to equity holders of the parent | 864 | (35) | (9) | (11) | - | **809** |
| Non-controlling interests | 20 | - | - | - | - | **20** |
| **Total equity** | **884** | **(35)** | **(9)** | **(11)** | **-** | **829** |

# Non GAAP measures

### 1) Reconciliation of operating profit to movements in net debt

| For the year ended 31 December 2015 | **2015** £m | 2014 Restated £m |
|---|---|---|
| **Operating cash flow from continuing operations** | **449** | 524 |
| Electronic Monitoring contracts receivable | **-** | 27 |
| **Cash flow from continuing operations** | **449** | 551 |
| Cash from/(used by) discontinued operations | **26** | (2) |
| **Net cash generated by operations** | **475** | 549 |
| | | |
| **Investment in the business** | | |
| Purchase of fixed assets, net of disposals | **(104)** | (119) |
| Restructuring investment | **(46)** | (47) |
| Disposal proceeds | **14** | 159 |
| Acquisition of businesses | **(17)** | (3) |
| Net debt in disposed/acquired entities | **(3)** | (12) |
| Net movement in finance leases | **(27)** | (11) |
| **Net investment in the business** | **(183)** | (33) |
| | | |
| **Net cash flow after investing in the business** | **292** | 516 |
| | | |
| **Other uses of funds** | | |
| Net interest paid | **(91)** | (116) |
| Tax paid | **(102)** | (79) |
| Pension deficit payment | **(44)** | (42) |
| Dividends paid | **(174)** | (149) |
| Electronic Monitoring (including fees) | **-** | (116) |
| Other | **12** | (23) |
| **Net other uses of funds** | **(399)** | (525) |
| | | |
| **Net cash flow after investment, financing, tax, dividends and pensions** | **(107)** | (9) |
| | | |
| Net debt at beginning of year* | **(1,639)** | (1,606) |
| Effect of foreign exchange rate fluctuations | **(36)** | (24) |
| **Net debt at end of year** | **(1,782)** | (1,639) |

*During the year the group has changed its definition of net debt to include certain cross-currency swap liabilities specifically relating to the group's borrowings that were previously excluded. As a result, net debt as at 31 December 2014 increased by £19m.

### 2) Reconciliation of changes in cash and cash equivalents to movement of net debt

| | **2015** £m | 2014 Restated £m |
|---|---|---|
| **Net cash flow movement (page 18)** | **27** | (123) |
| Adjustments for items included in cash flow excluded from net debt: | | |
| Purchase of investments | **1** | 2 |
| Net movement in borrowings | **(139)** | 91 |
| Items included in net debt but excluded from cash flow: | | |
| New finance leases | **4** | 21 |
| **Net movement in net debt** | **(107)** | (9) |

# Non GAAP measures

**3) Group net debt: EBITDA ratio**

The group's calculation of net debt to EBITDA using its own definition is presented below:

| | 2015<br><br>£m | 2014<br>Restated<br>£m |
|---|---|---|
| Profit before interest, tax and amortisation (page 14) | **391** | 397 |
| Portfolio businesses, specific items and joint ventures (page 3) | **36** | 22 |
| PBITA | **427** | 419 |
| Add back: | | |
| Depreciation* | **94** | 102 |
| Amortisation of non-acquisition related intangible assets* | **24** | 24 |
| EBITDA | **545** | 545 |
| Net debt per note 17 | **1,782** | 1,639 |
| Group's definition of Net debt:EBITDA ratio | **3.3** | 3.0 |

*Depreciation excludes depreciation relating to portfolio businesses of £16m (2014: £18m). Amortisation of non-acquisition related intangible assets excludes amortisation relating to portfolio businesses of £1m (2014: £1m).

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High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk.

**Notes to Editors:**
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**Presentation of Results:**

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

The presentation can also be viewed by webcast using the following link:
http://view-w.tv/707-803-16894/en

Please note there will be a telephone dial-in facility for this event, the call details are below:

Standard International Access: +44 (0) 20 3003 2666
UK Toll Free: 0808 109 0700
Denmark Toll Free: 8088 8649
USA Toll Free: 1 866 966 5335

Password: G4S

**Dividend payment information**
2015 final dividend:

Ex-date – 28 April 2016
Last day to elect for DKK – 28 April 2016
Record date –29 April 2016
Last day for DRIP elections – 16 May 2016
Pay date –10 June 2016

**9 March 2016**