Securing Your World

11 March 2020

G4S plc
2019 Preliminary Full Year Results

G4S Chief Executive Officer Ashley Almanza commented:

"The Group delivered underlying revenue of £7.7 billion in 2019, an increase of 4.7%, which reflects our continued investment in developing and marketing integrated, technology-enabled solutions. Adjusted PBITA was in line with the prior year reflecting this investment. Lower interest costs offset by a higher tax rate meant that earnings rose by 0.8% whilst a strong focus on cash generation saw operating cash flow increase by 9% to £633 million."

"The sale of the majority of the Group's conventional cash business in February 2020 is a major milestone in the execution of our corporate strategy, greatly enhancing our strategic, commercial and operational focus and strengthening our financial position. The proceeds from the sale of the conventional cash business enable us to invest in the business, to reduce net debt and to target net debt to EBITDA of 2.0x – 2.5x over time."

"Our clear aim now is to capitalise on this focus to strengthen our position as the industry leading global security company. Our investment in technology solutions is delivering clear benefits to our customers and has driven growth in key markets. We plan to deepen and extend these capabilities in order to support our goal of accelerating profitable growth."

Operational and financial highlights (Underlying results[a] unless otherwise noted):

- Group revenue growth +4.7% (2018: +1.0%[c]) including organic [b] +4.2% (2018: +1.0%[c])
    - Secure Solutions revenue growth +4.7% (2018: +2.9%[c])
    - Retail Technology Solutions +18.0%
    - Conventional cash +1.0%
- PBITA in line with prior year; reflecting investment in sales, marketing and integrated technology solutions
- Operating cash flow £633 million (2018: £582 million) representing cash conversion[a] of 126% (2018: 118%[c])
- Net debt to EBITDA[e] 2.88x (2018: 2.75x[c]); Proforma post disposal: 2.36x[g]
- Final dividend: 6.11p per share (2018: 6.11p per share)
- Statutory loss of £91 million (2018: earnings of £81 million[c]) reflecting a £291 million charge for goodwill impairment (2018: £nil), mainly relating to UK Cash Solutions, £19 million restructuring (2018: £30 million) and £38 million Cash separation costs (2018: £nil)
- Cash business disposal proceeds of c£670 million and profit on sale c£300 million will be accounted for in 2020
- Streamlined organisation facilitates incremental cost efficiencies of £15-20 million through 2020-21

Group results

	Underlying Results[a] In Constant Currency			Statutory Results[d] Actual Rates		
	2019	2018 Restated[c]	%	**2019**	2018 Restated[c]	%
Revenue	**£7,672m**	£7,330m	+4.7	**£7,758m**	£7,505m	+3.4
Adjusted PBITA[e]	**£501m**	£501m	-	**£501m**	£483m	+3.7
Adjusted PBITA[e] margin	**6.5%**	6.8%		**6.5%**	6.4%	
Earnings/(loss)[f]	**£263m**	£261m	+0.8	**£(91)m**	£81m	(212.3)
Earnings/(loss) Per Share[f]	**17.0p**	16.9p	+0.6	**(5.9)p**	5.2p	(213.5)
Operating Cash Flow	**£633m**	£582m	+8.8	**£504m**	£585m	(13.8)

[a] Underlying results are Alternative Performance Measures as defined and explained on page 40 and include the results of the businesses subject to the conventional cash disposal. Underlying results are reconciled to statutory results on page 3. The underlying results are presented at constant exchange rates other than operating cash flow, which is presented at actual rates in both 2018 and 2019.
[b] Organic revenue growth is an Alternative Performance Measure as defined and explained on page 41.
[c] Restated for the adoption of IFRS16 – Leases, see note 3.
[d] Statutory results reflect the entire Group including the results of the businesses subject to the conventional cash disposal. See page 23 for the basis of preparation of statutory results.
[e] Adjusted PBITA and net debt to adjusted EBITDA are Alternative Performance Measures as defined and explained on page 41. The Net debt to adjusted EBITDA ratio is calculated as set out on page 43.
[f] Earnings/loss is defined as profit/loss attributable to equity shareholders of G4S plc. Underlying earnings and underlying earnings per share ("EPS") are adjusted to exclude specific and other separately disclosed items, as described on page 41, and are reconciled to statutory earnings/loss and EPS on page 3.
[g] Proforma net debt to EBITDA is calculated as set out on page 7.

Re-shaping the Group

In parallel with demerger preparations, over the last year G4S has conducted a thorough and comprehensive engagement with third parties interested in the Group's Cash Solutions businesses, which culminated, on 26 February 2020, in the sale of the majority of the Group's conventional cash businesses to The Brink's Company. The Board determined that the sale of the majority of the conventional cash businesses is superior to the demerger of the Group's Cash Solutions businesses and is in the best interests of G4S shareholders and other key stakeholders.

The transaction represents an important milestone in the execution of our corporate strategy. The sale of these capital intensive, conventional cash businesses enables G4S to focus on the growth of our core integrated security solutions business and the further development of our rapidly growing Retail Technology Solutions business whilst providing an opportunity to simplify and streamline the Group which create the opportunity to capture cost efficiencies.

Our Go Forward Business

The shape of the group post the sale of the majority of the conventional cash businesses (pro-forma 2019) is summarised below:

FY19 Proforma underlying businesses	% of Group	2019 PBITA Margin[c]	Growth Potential p.a.
Secure Solutions (excl. Risk Consulting and Security Technology Solutions)[a]	81%	5-6%	4-6%
Risk Consulting and Security Technology Solutions[a]	11%	8-15%	10-12%
Retail Technology Solutions[b]	4%	10-15%	14-16%
Conventional Cash	4%	9-10%	-

[a] Technology enabled security solutions of 47% combines elements of Secure Solutions and Secure Consulting & Technology.
[b] Includes Retail Cash Solutions, SA- Deposita.
[c] Adjusted PBITA margin before corporate cost allocations.

G4S is a global market leader in security, providing both established and new technology-enabled security solutions to customers around the world.

Security is a growing service industry and we believe that G4S has the expertise and global footprint to grow core security revenues (81% of Group revenues) at 4-6% per annum and generate margins of 5-6% (excluding Security Consulting and Technology). As a result of our investment in technology we are deriving an increasing proportion of revenues from technology enabled solutions and at the end of December 2019, around 47% (2018: 45%) of our Secure Solutions revenues included technology in the customer service. Our technology-enabled security solutions includes our Secure Consulting and Technology business (11% of the Group) where we are targeting revenue growth of 10-12% per annum and margins in the range of 8-15%. Our technology focus creates additional security and efficiency benefits for customers and increases our ability to differentiate G4S's offering in the security market, which in turn supports our goal of accelerating profitable growth.

G4S has retained certain businesses from the Cash Division where we believe we can maximise shareholder value by benefiting from significant growth opportunities driven by our industry-leading position in Retail Technology Solutions. Our Retail Technology Solutions businesses are expected to grow very strongly at 14-16% per annum and generate margins of c15%. In addition, G4S has retained a number of conventional cash businesses, including the UK business.

Dividend policy

Following the conventional cash sale, the Board has reviewed the Group's dividend policy. The Board has decided to maintain the total dividend for the year ended 31 December 2019 and will propose a final dividend of 6.11p per share bringing the total dividend for the year to 9.7p per share in line with the prior year. This represents underlying dividend cover of 1.75x based on 2019 earnings per share. Going forward the Board believes that the Group should maintain the dividend at the current level and rebuild dividend cover to 2x. Once this level of cover is reached, the Board intends to adopt a progressive dividend policy taking into account a range of factors including the progress of the global economy, the performance of the business as measured by underlying earnings and cash flow, the requirements for capital within the business and the expected performance of the business going forward.

Outlook

G4S Group Chief Executive Officer, Ashley Almanza, commented:

"Whilst there is clearly near-term uncertainty about the impact of the coronavirus on the global economy, the effect on the Group has, to date, been immaterial. We will continue to closely monitor the development and impact of the coronavirus and take mitigating actions, as required. The long-term, fundamental strength of the global security market, together with the competitive strength of our Secure Solutions and Retail Technology Solutions businesses, underpins our confidence in the outlook for the Group."

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Year ended 31 December 2019 (at 2019 average exchange rates)

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring and separation	Specific and other separately disclosed items[d]	Statutory
Revenue	**7,672**	86	-			**7,758**
Adjusted PBITA[b]	**501**	-	-			**501**
Net specific and other items[d]	**-**	18	-	(57)	(317)	**(356)**
Profit/(loss) before tax	**383**	18	-	(57)	(317)	**27**
Tax	**(103)**	(3)	-	8	(9)	**(107)**
Profit/(loss) after tax	**280**	15	-	(49)	(326)	**(80)**
Earnings/(loss)[e]	**263**	15	-	(49)	(320)	**(91)**
EPS[e]	**17.0p**	1.0p	-	(3.2)p	(20.7)p	**(5.9)p**
Operating cash flow[f]	**633**	5	-	(47)	(87)	**504**

Year ended 31 December 2018 (at 2019 average exchange rates) – restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Constant currency[h]
Revenue	**7,330**	122	114			**7,566**
Adjusted PBITA[b]	**501**	(4)	(9)			**488**
Net specific and other items[d]	**-**	(4)	-	(30)	(175)	**(209)**
Profit before tax	**367**	(10)	(10)	(30)	(175)	**142**
Tax	**(93)**	-	(1)	6	33	**(55)**
Profit after tax	**274**	(10)	(11)	(24)	(142)	**87**
Earnings[e]	**261**	(10)	(6)	(24)	(140)	**81**
EPS[e]	**16.9p**	(0.6)p	(0.4)p	(1.6)p	(9.0)p	**5.2p**
Operating cash flow[f]	**582**	30	(1)	(26)	-	**585**

Year ended 31 December 2018 (at 2018 average exchange rates) – restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Statutory
Revenue	**7,271**	122	112			**7,505**
Adjusted PBITA[b]	**495**	(4)	(8)			**483**
Net specific and other items[d]	**-**	(4)	-	(31)	(171)	**(206)**
Profit before tax	**363**	(10)	(9)	(31)	(171)	**142**
Tax	**(92)**	-	(1)	6	32	**(55)**
Profit after tax	**271**	(10)	(10)	(25)	(139)	**87**
Earnings[e]	**258**	(10)	(5)	(25)	(137)	**81**
EPS[e]	**16.7p**	(0.6)p	(0.3)p	(1.6)p	(8.9)p	**5.2p**
Operating cash flow[f]	**582**	30	(1)	(26)	-	**585**

[a] Underlying results are Alternative Performance Measures as defined and explained on page 40 and exclude the results of businesses disposed of during the current or prior year (but include the results of the businesses subject to the conventional cash disposal), the effect of onerous contracts and specific and other separately disclosed items.

[b] Adjusted PBITA is an Alternative Performance Measure as defined and explained on page 41 and excludes specific and other separately disclosed items.

[c] Disposed businesses include the results of all businesses that have been sold or closed by the Group between 1 January 2018 and 31 December 2019 and are excluded from underlying results to present the underlying results of the current and comparative years on a like-for-like basis.

[d] Other separately disclosed items include goodwill impairment, net profit/(loss) on disposal/closure of subsidiaries/businesses, the California class action settlement and acquisition-related amortisation. The associated tax impact is included in the tax charge within “other separately disclosed items”. In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are included within the tax charge within "other separately disclosed items”. The accounting policy for specific and other separately disclosed items is provided on page 23.

[e] Earnings/loss is defined as profit/loss attributable to equity shareholders of G4S plc. Underlying Earnings and underlying EPS exclude specific and other separately disclosed items as described on page 41 and are reconciled to statutory earnings/loss and statutory EPS above.

[f] Operating cash flow is defined on page 41 as net cash flow from operating activities of continuing operations and is stated after pension deficit contributions of £52 million (2018: £41 million). For the year ended 31 December 2018 operating cash flow is presented at 2018 average exchange rates. Operating cash flow is reconciled to the Group’s movements in net debt on page 42.

[g] Restated for the adoption of IFRS 16 – Leases, see note 3. Results for the year ended 31 December 2018 are reconciled to previously reported results on page 45.

[h] Constant currency amounts show the 2018 statutory results retranslated at 2019 average exchange rates as described on page 40. Constant currency amounts should not be considered as or used in place of the Group’s statutory results. Constant currency operating cash flow is translated at 2018 average exchange rates.

BUSINESS REVIEW: UNDERLYING RESULTS
ALTERNATIVE PERFORMANCE MEASURES

The commentary in this Business Review discusses the Group's underlying results, which are alternative performance measures (as described on page 40) and are reconciled to statutory results on page 3. Commentary on the Group's statutory results is provided on pages 12 to 17. Throughout the Business Review, to aid comparability, 2018 comparative results are presented on a constant currency basis by applying 2019 average exchange rates as described on page 40.

This Business Review includes references to proforma results which exclude the results of the businesses included in the conventional cash disposal. A reconciliation of underlying results to proforma results is set out on page 7.

The Group's comparative results have been restated for the adoption of IFRS 16 – Leases, as set out in note 3 and a reconciliation between the prior year underlying results as previously reported to the prior year underlying results below is provided on page 45.

Underlying results At 2019 average exchange rates	**Revenue 2019 £m**	Revenue[a] 2018 £m	YoY %	Organic growth[b] %	**Adjusted PBITA 2019 £m**	Adjusted PBITA[a] 2018 £m	YoY %	**Adjusted PBITA margin 2019 %**	Adjusted PBITA margin[a] 2018 %
Africa	**425**	400	6.3%	6.3%	**30**	32	(6.3%)	**7.1%**	8.0%
Americas	**2,703**	2,484	8.8%	8.8%	**136**	136	-	**5.0%**	5.5%
Asia	**940**	900	4.4%	4.4%	**70**	67	4.5%	**7.4%**	7.4%
Europe & Middle East	**2,504**	2,494	0.4%	(0.2)%	**179**	187	(4.3%)	**7.1%**	7.5%
Secure Solutions	**6,572**	6,278	4.7%	4.4%	**415**	422	(1.7%)	**6.3%**	6.7%
Cash Solutions	**1,100**	1,052	4.6%	2.9%	**134**	129	3.9%	**12.2%**	12.3%
Total Group before corporate costs	**7,672**	7,330	4.7%	4.2%	**549**	551	(0.4%)	**7.2%**	7.5%
Corporate costs	**-**	-	-	-	**(48)**	(50)	(4.0%)		
Total Group	**7,672**	7,330	4.7%	4.2%	**501**	501	-	**6.5%**	6.8%

[a] Underlying results are Alternative Performance Measures as explained on page 40 and include the results of businesses subject to the conventional cash disposal. 2018 underlying results have been restated for the adoption of IFRS 16 – Leases, as set out in note 3. A reconciliation between the results as previously reported and the restated results above is included on page 45.

[b] Organic revenue growth has been calculated by adjusting underlying constant currency revenue growth to remove the effect of acquisitions in the current and prior years. In computing organic revenue growth, 2019 revenue has been adjusted by £10 million to reflect the acquisition of a small Cash Solutions business in the Netherlands during the year. Revenue in 2018 has been adjusted by £23 million to reflect the consolidation of a business that was first consolidated in 2018 following the renegotiation of its shareholder agreement. Quarterly organic revenue growth for the current and prior year is set out in note D on page 43.

DIVISONAL PERFORMANCE

All commentary and figures refer to underlying results in constant currency, unless otherwise stated.

SECURE SOLUTIONS *(86% of Group revenues in 2019, 92% on a proforma basis)*

Overview

- *Security Solutions (79% of group revenues) incorporating risk consulting, on-site, mobile and remote security, technology-enabled monitoring and response, software and systems and integrated security solutions combining some or all of these services*
- *Care & Justice Services (7% of group revenues) including custody, detention, education, rehabilitation and transportation concentrated in the UK and Australia*

Our Secure Solutions business delivers industry-leading security services in 90 countries around the world. Building on our established security services, we have invested in developing the capabilities to design and deliver security technology, security systems and integrated security solutions that combine people and technology to offer our customers more efficient and valuable security solutions.

We believe that our growing ability to design and deliver technology-enabled security solutions strengthens our customer-value proposition and provides G4S with the opportunity to increase the longevity and value of existing customer relationships, to win new business and to earn higher margins.

By the end of 2019, 47% (2018: 45%) of our Secure Solutions revenues were derived from technology-enabled security services combining our people with technology. We have established a substantial business selling technology-enabled solutions to larger customers. With success in that segment, we are extending our offering into mid-sized market segments.

Performance and Outlook

During 2019, our Secure Solutions business delivered good organic revenue growth of 4.4% (2018: 2.9%), with organic revenue growth in security of 4.9%, partially offset by 1.6% lower revenues in our ancillary Care & Justice Services.

We delivered strong organic revenue growth in the Americas 8.8% (2018: 4.6%) and Africa 6.3% (2018: 5.9%) driven by our technology solutions, with improved momentum in Asia 4.4% (2018: 6.1%) and broadly flat revenues in our Europe & Middle East markets.

SECURE SOLUTIONS (continued)

Performance and Outlook (continued)

We increased investment in our sales and marketing and technology enabled solutions capabilities to support our growth strategy and Adjusted PBITA was £415 million, down 1.7% (2018: £422 million) and the Adjusted PBITA margin decreased to 6.3% (2018: 6.7%).

Africa
Revenue growth across our Africa region was 6.3% and Adjusted PBITA decreased by 6.3% reflecting our investment in sales and solutions development and statutory wage increases in some countries during the second half of 2019. We are working with customers to progressively recover increased wage costs during in 2020.

We made very good progress developing and delivering integrated security offerings and strengthening our monitoring and response services which are generating good growth in our key markets. We have won new contracts in the FMCG, mining, infrastructure and embassy sectors and with a good sales pipeline we believe that the business is well positioned to make further progress in 2020.

Americas
Revenues in our Americas region grew by 8.8% overall, driven by very strong growth in North America. Adjusted PBITA was in line with the prior year due to challenging market conditions in Latin America, especially in Brazil and Chile and higher mobilisation costs in the US related to new contract wins.

Our Secure Solutions revenues in North America grew 10.2%, as our consultative approach to designing and delivering integrated security solutions continues to gain traction with large enterprise customers and in regulated sectors. We saw strong demand for our risk and security consulting services, security analytics, regulated security services, executive protection and investigative services. This was across a broad range of sectors including IT, power generation and distribution, hotels, construction, manufacturing and financial services. North America PBITA increased by 11.0% in the year resulting in a full year margin of 6.3% (2018: 6.2%).

In Latin America we continued to be disciplined in our bidding and our revenues increased by 4.5%. We continued to re-position our contract portfolio towards markets segments where security is a premium service and as a result we incurred significant one-off severance and de-mobilisation costs. As a result PBITA was significantly lower. We are implementing price and efficiency programmes designed to enhance margins in 2020.

Our on-going investment in sales, business development and customer service has enabled G4S to sustain a substantial pipeline in the Americas which supports our organic growth programme.

Asia
Revenue growth in Asia was 4.4% with growth across all of our major security markets, including India, and Adjusted PBITA for the region increased by 4.5%.

We generated good growth in security system solutions in Hong Kong and secured new contracts in sectors including property services, technology and transport and logistics. Across our Asia markets we have a diverse and substantial set of new business opportunities.

Europe & Middle East
Revenue in our Europe & Middle East markets was 0.4% higher with a return to good growth in the Middle East offsetting lower revenues in UK Care & Justice Services and UK security where we continued to apply commercial discipline in our bidding. Revenue in our Continental European businesses was broadly flat as expected. Our investment in sales and marketing in our UK security business is now restoring sales momentum. In relation to UK Care and Justice we will continue to apply stringent criteria to new business to ensure that we deliver a good service at an appropriate margin.

Adjusted PBITA in these markets was lower at £179 million (2018: £187 million) and Adjusted PBITA margin was 7.1% (2018: 7.5%). This was principally a result of lower UK revenues (see above) and the cost of implementing a new ERP system in the UK.

Our Europe & Middle East security pipeline has been rebuilt and our focus for 2020 is on increasing revenue momentum and overall margins.

We are working with our co-shareholders and partners in the Middle East to update our migrant worker policy in line with best international practice. As part of this high priority programme, G4S is committed to applying the standards adopted by the Leadership Group for Responsible Recruitment in all Group companies and we have introduced an enhanced supply chain policy that is being implemented through the retendering of key supplier contracts in Gulf countries.

CASH SOLUTIONS *(14% of group revenues in 2019, 8% on a proforma basis)*

Following a thorough and comprehensive engagement with third parties interested in the Cash Solutions businesses which ran in parallel with demerger preparations, on 26 February 2020, G4S announced the sale of the majority of its conventional cash businesses to Brink's. The transaction is expected to materially complete during 2020 and the following performance narrative is for all of the Cash Solutions businesses which we held throughout the course of 2019.

Overview

- *Cash Technology services comprise:*
  - *Cash technology focused on the efficient management of cash, including Retail Cash Solutions ("RCS"), the leading software and service solution for large retail formats in North America*
  - *Deposita, Cash360 and G4S Pay solutions for medium and small retail formats*
  - *Bank process automation*
- *Conventional cash services including Cash in transit ("CIT"), cash processing and automated teller machine ("ATM") services*

In our Cash Solutions business we provide software, hardware, systems and services that improve the security, control and efficiency of our customers' cash handling. Whilst cash usage is expected to continue to grow in emerging markets, in developed markets cash volumes are expected to gradually decline. To ensure critical mass and economies of scale, we focus on markets where we have, or can build, a number one or number two position in the market. We aim to grow volumes in traditional cash services of cash-in-transit and ATMs organically through cost leadership which enables us to win market share and encourages banks to outsource more services. We are advancing commercial discussions for more bank outsourcing in the UK and other markets.

We believe that the Group is well positioned to address a substantial and valuable opportunity to extend and grow our new products and services that are currently being adopted by banks and some of the world's leading retailers. We expect this market to continue to grow strongly and we have market-leading innovative products combining software and service. We are making significant progress with large retailers with what we refer to as our "big box" solution and we are also seeing increasing interest in our mid-size and small box offerings and from banks looking to automate more in-branch cash handling. We believe that our Retail Technology services have the potential to grow rapidly and to enhance the overall group margins over the medium term.

Performance and Outlook

During 2019, we continued to experience very good demand for our Cash Solutions technology. In North America, our operational scale grew in Retail Cash Solutions including an important large win in the smart safe market which will be mobilised in 2020. Retail Technology Solutions revenue grew by 18.0% in all our markets in 2019. Excluding Retail Technology Solutions, Cash Solutions revenues grew by 1.0%, in line with expectations.

Adjusted PBITA increased by 3.9% which, when adjusted for the £8 million benefit from the early completion of a bullion centre contract in the UK in H1 2018, represented Adjusted PBITA growth of 10.7%.

The Group has agreed to sell the majority of its conventional cash businesses during 2020 that contributed Cash Solutions revenue during 2019 of £541 million (2018: £508 million) and PBITA of £74 million (2018: £69 million). In addition, a number of smaller Secure Solutions businesses that are deeply integrated with the conventional cash businesses with revenue during 2019 of £82 million (2018: £67 million and PBITA of £5 million (2018: £3 million) will also be sold along with their conventional cash businesses. The results of the businesses included in this conventional cash disposal are analysed by region on page 7.

We believe good growth opportunities exist in all of our markets where we possess the infrastructure, technology, licenses and a strong track record of reliable and efficient delivery, for banks and retailers to outsource more of their cash management activity to G4S. In addition, we expect our network and operational efficiency programmes to contribute to profitability through 2020.

CORPORATE COSTS

Corporate costs comprise the costs of the G4S plc Board and the central costs of running the Group including executive, governance and central support functions and were 4% lower at £48 million (2018: £50 million).

Proforma segmental analysis of underlying revenue and Adjusted PBITA of the businesses subject to the conventional cash disposal

On 26 February 2020 the Group announced that it had entered into an agreement (the "conventional cash transaction") to sell the majority of its conventional cash businesses, with 2019 revenues of £0.6 billion, to Brink's for an enterprise value of £727 million. Under the agreement, completion of the sale is phased with expected net cash proceeds of approximately £670 million, of which around 75% is anticipated in H1 2020, 22% in H2 2020 and 3% after 2020. Timing of completion is subject to customary consultations and approvals.

Set out below is a proforma segmental presentation of underlying 2018 and 2019 revenue and Adjusted PBITA for the Group split between the conventional cash businesses which the Group has agreed to sell to Brink's and the retained businesses, together with a proforma calculation of the Group's net debt to Adjusted EBITDA based on the balance sheet position of the Group as at 31 December 2019. The estimated net cash proceeds of £670 million noted above is based on the projected balance sheet position of the disposal businesses at completion.

Underlying results at constant rates	**Retained Group**	**Disposal Group**	**Total**	**Retained Group**	**Disposal Group**	**Total**
Revenue by reportable segment (£m)	**2019**	**2019**	**2019**	2018 Restated[a]	2018 Restated[a]	2018 Restated[a]
Africa	425	-	425	400	-	400
Americas	2,696	7	2,703	2,477	7	2,484
Asia	916	24	940	876	24	900
Europe & Middle East	2,453	51	2,504	2,458	36	2,494
Cash Solutions	559	541	1,100	544	508	1,052
Total Group revenue	**7,049**	**623**	**7,672**	**6,755**	**575**	**7,330**
Adjusted PBITA by reportable segment (£m)						
Africa	30	-	30	32	-	32
Americas	136	-	136	136	-	136
Asia	69	1	70	66	1	67
Europe & Middle East	175	4	179	185	2	187
Cash Solutions	60	74	134	60	69	129
Adjusted PBITA before corporate costs	**470**	**79**	**549**	**479**	**72**	**551**
Corporate costs	(44)	(4)	(48)	(46)	(4)	(50)
Total Group Adjusted PBITA	**426**	**75**	**501**	**433**	**68**	**501**

[a] Restated for the effect of IFRS 16 – Leases, see note 3.

Proforma Group net debt to Adjusted EBITDA ratio

	2019 £m	**Disposal Group £m**	**2019 Proforma £m**
Adjusted PBITA (page 18)	**501**	**(75)**	**426**
Add back:			
Depreciation	204	(43)	161
Amortisation of non-acquisition-related intangible assets	22	(1)	21
Adjusted EBITDA	**727**	**(119)**	**608**
Net debt per note 17	**2,092**	**(657)**	**1,435**
Net debt to Adjusted EBITDA ratio	**2.88**		**2.36**

Basis of preparation:
1. Proforma revenue is the revenue of the Group for the year excluding the third party revenue of the businesses subject to the conventional cash transaction.
2. Proforma Adjusted PBITA and EBITDA are the Adjusted PBITA and EBITDA of the Group excluding the Adjusted PBITA/EBITDA of the businesses that are subject to the conventional cash transaction respectively. Proforma Adjusted PBITA/EBITDA reflects the intercompany recharges and cost allocations made during the year.
3. Proforma net debt to EBITDA represents the Group's net debt less the anticipated proceeds from the conventional cash transaction and net debt that is transferring to Brink's as part of that transaction based on the Group's balance sheet position as at 31 December 2019, divided by proforma EBITDA.
4. Disposal Group net debt of £657 million reflects the balance sheet position at 31 December 2019. The estimated net cash proceeds of £670 million are based on the balance sheet position forecast at completion of the transaction during 2020.

UNDERLYING RESULTS

Summary underlying results[a]

At 2019 average exchange rates[b]	**2019 £m**	2018 Restated[c] £m	YoY %
Revenue	**7,672**	7,330	4.7%
Adjusted PBITA[a]	**501**	501	-
Adjusted PBITA[a] margin	**6.5%**	6.8%	
Interest	**(118)**	(134)	
Profit before tax	**383**	367	4.4%
Tax	**(103)**	(93)	
Profit after tax	**280**	274	2.2%
Non-controlling interests	**(17)**	(13)	
Earnings[a] (profit attributable to equity holders of the parent)	**263**	261	0.8%
EPS[a,d] (p)	**17.0**	16.9	0.6%
Operating cash flow[a,b]	**633**	582	8.8%

[a] Underlying results, Adjusted PBITA, earnings, EPS and operating cash flow are Alternative Performance Measures as defined and explained on pages 40-41. They exclude the effect of specific and other separately disclosed items, the results of onerous contracts and the results of businesses sold or closed between 1 January 2018 and 31 December 2019, but include the results of businesses subject to the conventional cash disposal, and are reconciled to the Group's statutory results on page 3.
[b] 2018 comparatives are presented at 2019 average exchange rates as described on page 40, except for operating cash flow which is presented at 2018 average exchange rates.
[c] The 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.

Revenue
The Group's revenue increased by 4.7% year-on-year. Secure Solutions revenues were 4.7% higher than the prior year, as explained on pages 4 and 5. Cash Solutions revenue increased by 4.6% following a strong performance in North America Retail Cash Solutions offset by challenging market conditions in the UK.

Adjusted PBITA
Adjusted PBITA of £501 million (2018: £501 million) was in line with the prior year. This reflects a reduction in Adjusted PBITA of £7 million in Secure Solutions and an increase in Adjusted PBITA in Cash Solutions of £5 million which reflected an £8 million one-off benefit in 2018 relating to the early completion of a bullion centre contract in the UK.

Interest
Net interest payable on net debt decreased to £103 million (2018: £118 million) reflecting the Group's refinancing programme replacing certain loan notes bearing high interest rates with new loan notes issued at lower interest rates since 30 June 2018 (see page 15 for details) and a reduction in interest on lease liabilities to £24 million (2018: £27 million). Net other finance costs were £4 million (2018: £5 million) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £11 million (2018: £11 million), resulting in a total net interest cost of £118 million (2018: £134 million).

Tax
A tax charge of £103 million (2018: £93 million) was incurred on profit before tax of £383 million (2018: £367 million) which represents an effective tax rate of 27% (2018: 25%). In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior year is primarily driven by the level of provision required for potential liabilities not agreed with tax authorities, changes in the recognition of deferred tax assets and the geographic mix of profits.

Non-controlling interests
Profit attributable to non-controlling interests was £17 million in 2019, an increase from £13 million in 2018, primarily reflecting the increased share of profits due to non-controlling interests in certain businesses in Europe & Middle East and Asia.

Earnings
The Group generated profit attributable to equity holders ("earnings") of £263 million (2018: £261 million) for the year ended 31 December 2019.

Earnings per share

Earnings per share was 0.6% higher than the prior year at 17.0p (2018: 16.9p), based on the weighted average of 1,547 million (2018: 1,547 million) shares in issue[a]. A reconciliation of profit for the year to earnings per share is provided below:

Underlying earnings per share

	2019 £m	2018 at constant exchange rates Restated[b] £m	2018 at actual exchange rates Restated[b] £m
Underlying profit for the year	**280**	274	271
Non-controlling interests	**(17)**	(13)	(13)
Underlying profit attributable to equity holders of the parent (earnings)	**263**	261	258
Average number of shares[a] (m)	**1,547**	1,547	1,547
Underlying earnings per share (p)	**17.0**	16.9	16.7

[a] Stated net of the average number of shares held in the Employee Benefit Trust of 5 million (2018: 5 million).
[b] Restated for the impact of IFRS 16 – see note 3.

ONEROUS CONTRACTS

The Group's onerous contracts generated revenues of £86 million (2018: £122 million) for the year ended 31 December 2019, which are lower than the prior year mainly due to the finalisation of two UK contracts during the year. This included the COMPASS contract that ended in August 2019, the finalisation of which was managed within existing provisions. Onerous contracts reported Adjusted PBITA of £nil for the year ended 31 December 2019. For the year ended 31 December 2018 onerous contracts reported Adjusted PBITA of £(4) million, which mainly represented the write down of the value of the assets and the recognition of an onerous contract provision in respect of two UK Care & Justice Services contracts.

During the year the improved performance of three UK contracts together with the review of their related provisions led to a £22 million gain being recognised as a specific item credit in the income statement. In the prior year the Group recognised a £5 million specific item credit following the implementation of operational efficiencies in respect of certain onerous contracts that had led to a reduction in expected future losses.

During the year the Group also recognised a £4 million additional onerous contract provision recorded as a specific item relating to a facilities management contract in the UK (2018: the Group recognised a £9 million charge related to two UK Care & Justice Services contracts, reflecting the estimated losses over the expected remaining contract terms).

Operating cash flow in respect of onerous contracts was £5 million for the year ended 31 December 2019 (2018: £30 million) excluding lease payments of £27 million (2018: £41 million) which, following the Group's adoption of IFRS 16, are reported outside of operating cash flows.

DISPOSED BUSINESSES

In early 2019 the Group sold a parking management business in Estonia which had not generated any material revenue or Adjusted PBITA in 2019 to the date of disposal. The Group did not dispose of any other significant businesses during the year.

Businesses sold during the year ended 31 December 2018 included the Group's businesses in Hungary and the Secure Solutions business in the Philippines, an archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, and these businesses, together with the parking management business in Estonia sold in 2019, generated revenue of £114 million and Adjusted PBITA of £(9) million for the year ended 31 December 2018.

RESTRUCTURING AND SEPARATION

Charges of £57 million (2018: £30 million) were recorded for restructuring and separation during the year ended 31 December 2019. Restructuring costs of £19 million (2018: £30 million) related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe and the Middle East, the Americas and Cash Solutions. During the year the Group also incurred costs of £38 million in respect of the Cash Solutions separation. In addition, the Group incurred non-strategic reorganisation costs of £11 million (2018: £9 million) which are included within Adjusted PBITA.

SPECIFIC AND OTHER SEPARATELY DISCLOSED ITEMS

	2019 £m	2018 at constant exchange rates Restated[a] £m	2018 at actual exchange rates Restated[a] £m
Specific items – charges	**(34)**	(24)	(23)
Specific items – credits	**3**	6	6
Guaranteed minimum pension equalisation charge	**-**	(35)	(35)
California class action settlement	**18**	(104)	(100)
Net loss on disposal/closure of subsidiaries/businesses	**(7)**	(14)	(15)
Goodwill impairment	**(291)**	-	-
Acquisition-related amortisation	**(6)**	(4)	(4)
Specific and other separately disclosed items before tax	**(317)**	(175)	(171)
Tax credits arising on specific and other separately disclosed items	**2**	35	34
Tax charges for tax-only specific items	**(11)**	(2)	(2)
Total tax (charges)/credits arising on specific and other separately disclosed items	**(9)**	33	32
Specific and other separately disclosed items after tax	**(326)**	(142)	(139)
Profit from discontinued operations	**-**	2	2
Non-controlling interests' share of specific and other separately disclosed items	**6**	-	-
Total specific and other separately disclosed items – charge to earnings	**(320)**	(140)	(137)

[a] Restated for the impact of IFRS 16 – see note 3.

Specific items
The specific items charge was £34 million (2018: £24 million). During 2019, the Group updated its HR policy formally to waive its rights to recover certain recruitment-related costs under local law in the Gulf states and as a result incurred a non-recurring, non-cash expense of £15 million. Also included within the specific items charge was a £14 million charge in respect of legacy labour claims in the US and Brazil and an amount of £5 million that was incurred in relation to investigation activities and legal advice in connection with the ongoing investigation by the Serious Fraud Office in respect of the Group's Electronic Monitoring services between 2004 and 2013 (see note 16).

Specific item charges incurred during the year ended 31 December 2018 of £24 million related to legacy employee claims in Asia and the Americas.

The specific items credit of £3 million (2018: £6 million) relates to the recovery of a legacy claim in North America. The specific items credit in 2018 of £6 million primarily related to successful legal claims made by the Group in the Americas.

Guaranteed minimum pension equalisation charge
Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group recorded a charge of £35 million for the year ended 31 December 2018 in respect of the equalisation of benefits for historical guaranteed minimum pension obligations between males and females in the UK.

California class action settlement
In January 2019, the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California, for which a provision of £100 million ($132 million) had been recorded in the year to 31 December 2018. The settlement was approved by the Superior Court of the State of California in October 2019. The amount finally determined in court and paid was £87 million ($110 million) which was lower than the existing provision. As a result, the excess remaining provision of £18 million ($22 million) was released to the income statement and recognised as a credit within specific and other separately disclosed items.

Net loss on disposal/closure of subsidiaries/businesses
During the year, the Group recognised a net loss of £7 million (2018: £14 million) reflecting a small profit recognised on the disposal of a parking management business in Estonia offset by costs incurred on business closures and historical disposals, primarily relating to disposals made by the Group during 2018. Disposals during the year ended 31 December 2018 included the Group's businesses in Hungary and the Secure Solutions business in the Philippines, its archiving business in Kenya and its Cash Solutions businesses in the United Arab Emirates, Columbia and Saudi Arabia.

Goodwill impairment
During the year the Group recognised a goodwill impairment of £205 million (2018: £nil) to fully impair the goodwill in respect of its UK Cash Solutions business. The Group's UK Cash Solutions business continues to be profitable and the Group believes that cash in the UK will continue to represent an important form of payment for the foreseeable future with G4S well placed to exploit new opportunities as the market evolves. Nevertheless, given the rate of decline in cash volumes in the UK market experienced in 2019, the annual end-of-year impairment test has led to the need to impair the historical goodwill balance that was allocated to the business at the time of the merger between Group 4 Falck and Securicor in 2004.

SPECIFIC AND OTHER SEPARATELY DISCLOSED ITEMS (continued)

Goodwill impairment (continued)
The Group has also recognised a goodwill impairment of £35 million (2018: £nil) in respect of its Brazil Secure Solutions business that was acquired in 2012. The impairment charge reflects the adverse macro-economic environment affecting the business that is expected to subsist for a prolonged period.

A goodwill impairment of £40 million (2018: £nil) has been recognised in relation to the Group's Facilities Management business in the UK reflecting the Group's strategy of managing this business for value and therefore bidding selectively for new work.

A goodwill impairment of £11 million (2018: £nil) was also recognised to fully impair the goodwill in respect of the Group's Secure Solutions business in the United Arab Emirates reflecting a material contraction in the scale of that business in the year.

Acquisition-related amortisation
Acquisition-related amortisation was £6 million (2018: £4 million).

Tax charges/credits arising on specific and other separately disclosed items
Tax charges arising on specific and other separately disclosed items were £9 million (2018: credits of £33 million).

Tax credits arising on specific and other separately disclosed items were £2 million (2018: £35 million). The credits for the year ended 31 December 2018 primarily related to amounts owed to class members and their advisors under the proposed California class action settlement for which a deferred tax asset was established at 31 December 2018. The California class action was settled for less than anticipated. The deferred tax asset reversed in 2019 in specific items follows the release of the excess provision resulting from the reduced settlement. Tax credits are not available for goodwill impairments (see note 6) and as such no tax benefit has been provided for these impairments.

The tax charge for tax-only specific items was £11 million (2018: £2 million) and includes a reduction in the value of deferred tax assets following tax reforms in India, a provision for a tax dispute in Indonesia regarding the deductibility of certain operating expenses, a provision against the recoverability of withholding taxes suffered in Brazil and credits arising from the release of deferred tax liabilities relating to the California class action settlement no longer required following agreement with the UK and US tax authorities.

Non-controlling interests' share of specific and other separately disclosed items
Non-controlling interests' share of specific and other separately disclosed items of £6 million (2018: £nil) represent the non-controlling interests' share of the recruitment-related specific item in certain countries in the Middle East.

CASH FLOW, CAPITAL EXPENDITURE AND PORTFOLIO MANAGEMENT

The Group generated underlying operating cash flow of £633 million (2018: £582 million) after pension deficit repair contributions of £52 million (2018: £41 million) during the year. Underlying operating cash flow represents 126% (2018: 118%) of Adjusted PBITA. The Group invested £188 million (2018: £227 million) in net capital expenditure including £78 million (2018: £125 million) in leased assets that are capitalised in accordance with IFRS 16. The relatively high level of new leases in 2018 reflected the timing of the renewal of fleet lease vehicles in North America as well as significant new leases of accommodation for guards to service contracts in Europe & Middle East. The Group received net proceeds of £12 million (2018: £45 million) from the disposal of businesses and made no significant acquisitions in the year.

Net cash inflow after investing in the business was £414 million (2018: £378 million). The Group's net increase in net debt before foreign exchange movements was £78 million (2018: £19 million) after net interest of £122 million (2018: £124 million), tax paid of £90 million (2018: £98 million), the payment of £87 million (2018: £nil) to settle the California class action claim (see page 10) and dividends paid of £172 million (2018: £170 million).

BUSINESS REVIEW – GROUP COMMENTARY: STATUTORY RESULTS

The basis of preparation of the Group's statutory results is set out on page 23. Comparative figures for statutory results are presented at actual historical exchange rates (i.e. the results for the year ended 31 December 2018 are presented at average exchange rates for the year ended 31 December 2018). Prior year results have been restated for the impact of adopting IFRS 16 – Leases, as described in note 3.

REVIEW OF STATUTORY RESULTS

Statutory results at actual exchange rates	**2019** **£m**	2018 Restated[a] £m	YoY %
Revenue	**7,758**	7,505	3.4%
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	**501**	483	3.7%
Specific items – charges	**(38)**	(32)	
Specific items – credits	**25**	11	
Restructuring and separation costs	**(57)**	(31)	
Guaranteed minimum pension equalisation charge	**-**	(35)	
California class action settlement	**18**	(100)	
Loss on disposal/closure of subsidiaries/businesses	**(7)**	(15)	
Goodwill impairment	**(291)**	-	
Acquisition-related amortisation	**(6)**	(4)	
Operating profit	**145**	277	(47.7%)
Net interest costs	**(118)**	(135)	
Profit before tax	**27**	142	(81.0%)
Tax	**(107)**	(55)	
(Loss)/profit after tax	**(80)**	87	(192.0%)
Profit from discontinued operations	**-**	2	
(Loss)/profit for the year	**(80)**	89	(189.9%)
Non-controlling interests	**(11)**	(8)	
(Loss)/profit attributable to equity holders of the parent ("statutory earnings")	**(91)**	81	(212.3%)
EPS	**(5.9)p**	5.2p	(213.5%)
Operating cash flow	**504**	585	(13.8%)

[a] 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.

Revenue

Revenue increased by 3.4% compared with the prior year statutory results. Of the increase, 0.8% (£61 million) was due to movements in average exchange rates. At constant exchange rates, revenue increased by 2.5% which includes decreases in revenue from businesses disposed of during the year (£114 million reduction) and from onerous contracts (£36 million reduction). Excluding the effects of movements in exchange rates, disposed businesses and onerous contracts, revenue grew by 4.7% at constant exchange rates.

Adjusted PBITA

Adjusted PBITA of £501 million (2018: £483 million) was up 3.7%. Of the increase, 1.0% (£5 million) was due to movements in exchange rates. At constant exchange rates, Adjusted PBITA increased 2.7%, which includes a £13 million increase in Adjusted PBITA from onerous contracts and disposed businesses. Excluding the effect of movements in exchange rates, Adjusted PBITA from disposed businesses and onerous contracts, the Group's Adjusted PBITA was in line with the prior year. Business performance is discussed in more detail by service line and region on pages 4 to 6.

Specific items - charges

The specific items charge was £38 million (2018: £32 million). During 2019, the Group updated its HR policy formally to waive its rights to recover certain recruitment-related costs under local law in the Gulf states and as a result incurred a non-recurring, non-cash expense of £15 million. Also included within the specific items charge was a £14 million charge in respect of legacy labour claims in the US and Brazil and an amount of £5 million that was incurred in relation to investigation activities and legal advice in connection with the ongoing investigation by the Serious Fraud Office in respect of the Group's Electronic Monitoring services between 2004 and 2013 (see note 16). An additional £4 million onerous contract provision was recorded as a specific item relating to a facilities management contract in the UK.

Specific item charges incurred during the year ended 31 December 2018 of £32 million related to legacy employee claims in Asia and the Americas and a £9 million onerous contract charge related to two UK Care & Justice Services contracts, reflecting estimated future losses over their expected remaining terms.

REVIEW OF STATUTORY RESULTS (continued)

Specific items - credits
During the year the improved performance of three UK onerous contracts together with the review of their related provisions led to a £22 million gain being recognised as a specific item credit. In addition, a specific item credit of £3 million was recorded in respect of the recovery of a legacy claim in North America.

Specific items credits recorded during the year ended 31 December 2018 of £11 million included a £5 million release of onerous contract provisions in the UK for which the related charges had previously been recorded as specific items, following the implementation of operational efficiencies in the contracts leading to a reduction in expected future losses. In addition, a further £6 million, primarily related to successful court claims made by the Group in the Americas, was credited as a specific item.

Restructuring and separation costs
Charges of £57 million (2018: £31 million) were recorded for restructuring and separation during the year ended 31 December 2019. Restructuring costs of £19 million (2018: £30 million) related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe and the Middle East, the Americas and Cash Solutions. During the year the Group also incurred costs of £38 million in respect of the Cash Solutions separation. In addition, the Group incurred non-strategic reorganisation costs of £11 million (2018: £9 million) which are included within Adjusted PBITA.

Guaranteed minimum pension equalisation charge
Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group recorded a charge of £35 million for the year ended 31 December 2018 in respect of the equalisation of benefits for historical guaranteed minimum pension obligations between males and females in the UK.

California class action settlement
In January 2019, the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California, for which a provision of £100 million had been recorded in the year to 31 December 2018. The settlement was approved by the Superior Court of the State of California in October 2019. The amount finally determined in court and paid was £87 million ($110 million) which was lower than the existing provision. As a result, the excess remaining provision of £18 million was released to the income statement and recognised as a credit within specific and other separately disclosed items.

Loss on disposal/closure of subsidiaries/businesses
During the year, the Group recognised a net loss of £7 million (2018: £15 million) reflecting a small profit recognised on the disposal of a parking management business in Estonia offset by costs incurred on business closures and historical disposals, primarily relating to disposals made by the Group during 2018. Disposals during the year ended 31 December 2018 included the Group's businesses in Hungary and the Secure Solutions business in the Philippines, its archiving business in Kenya and its Cash Solutions businesses in the United Arab Emirates, Columbia and Saudi Arabia.

Goodwill impairment
During the year the Group recognised a goodwill impairment of £205 million (2018: £nil) to fully impair the goodwill in respect of its UK Cash Solutions business. The Group's UK Cash Solutions business continues to be profitable and the Group believes that cash in the UK will continue to represent an important form of payment for the foreseeable future with G4S well placed to exploit new opportunities as the market evolves. Nevertheless, given the rate of decline in cash volumes in the UK market experienced in 2019, the annual end-of-year impairment test has led to the need to impair the historical goodwill balance that was allocated to the business at the time of the merger between Group 4 Falck and Securicor in 2004.

The Group has also recognised a goodwill impairment of £35 million (2018: £nil) in respect of its Brazil Secure Solutions business that was acquired in 2012. The impairment charge reflects the adverse macro-economic environment affecting the business that is expected to subsist for a prolonged period.

A goodwill impairment of £40 million (2018: £nil) has been recognised in relation to the Group's Facilities Management business in the UK reflecting the Group's strategy of managing this business for value and therefore bidding selectively for new work.

A goodwill impairment of £11 million (2018: £nil) was also recognised to fully impair the goodwill in respect of the Group's Secure Solutions business in the United Arab Emirates reflecting a material contraction in the scale of that business in the year.

Acquisition-related amortisation
Acquisition-related amortisation was £6 million (2018: £4 million).

Operating profit
Operating profit for the year of £145 million (2018: £277 million) decreased by 47.7% primarily reflecting the 3.7% increase in Adjusted PBITA and the non-recurrence of the California claim and pension equalisation charges of £135 million incurred in 2018 offset by the Cash Solutions separation costs of £38 million together with the £291 million goodwill impairment charge.

REVIEW OF STATUTORY RESULTS (continued)

Net interest costs

Net interest payable on net debt decreased to £103 million (2018: £119 million) reflecting the Group's refinancing programme replacing certain loan notes bearing high interest rates with new loan notes issued at lower rates since 31 December 2018 (see page 15 for details) and a reduction in interest on lease liabilities to £24 million (2018: £27 million). Net other finance costs were £4 million (2018: £5 million) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £11 million (2018: £11 million), resulting in a total net interest cost of £118 million (2018: £135 million).

Tax

The statutory tax charge of £107 million (2018: £55 million) for 2019 included a tax charge of £103 million (2018: £92 million) on the Group's underlying profits, as explained on page 8, a tax charge on onerous contracts of £3 million (2018: £nil), a tax charge of £nil in respect of disposed businesses (2018: £1 million), a tax credit of £8 million (2018: £6 million) in respect of restructuring costs and a net tax charge of £9 million (2018: credit of £32 million) in respect of tax-specific items and tax charges and credits in respect of specific and other separately disclosed items (as explained on page 11).

The Group's statutory tax charge represented an effective rate of 396% (2018: 39%) on profit before tax of £27 million (2018: £142 million). The very substantial increase in effective tax rate year-on-year reflects the nature of specific and other separately disclosed items in each year, where, in 2019 the majority of the items were non-tax deductible being goodwill impairment and in 2018 a significant element related to the California class action which attracts a tax deduction in the USA.

In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior year is primarily driven by the impact of goodwill impairments (see note 6) for which no tax benefit is available, the level of provision required for potential liabilities not agreed with tax authorities, changes in the recognition of deferred tax assets and the geographic mix of profits.

Non-controlling interests

Profit attributable to non-controlling interests was £11 million in 2019 (2018: £8 million). The increase primarily reflects the renegotiation of certain shareholder agreements for certain businesses primarily in the Middle East and Asia during the second half of 2018 and the first half of 2019, resulting in the Group recognising new non-controlling interests in these businesses, offset by £6 million of specific item charges recorded in statutory non-controlling interests.

Loss/profit attributable to equity holders of the parent ("statutory earnings")

The Group's loss for the year attributable to equity holders of the parent ("statutory earnings") was £91 million (2018: profit of £81 million) reflecting the goodwill impairment charge of £291 million.

Loss/earnings per share

Statutory loss per share[a] was 5.9p (2018: earnings of 5.2p), based on the weighted average number of shares in issue[b] of 1,547 million (2018: 1,547 million). A reconciliation of the Group's statutory profit for the year to EPS is provided below:

Earnings per share	**2019**	2018 at constant exchange rates[a,b]	2018 at actual exchange rates[b]
	£m	£m	£m
(Loss)/profit for the year	**(80)**	89	89
Non-controlling interests	**(11)**	(8)	(8)
(Loss)/profit attributable to equity holders of the parent ("earnings")	**(91)**	81	81
Average number of shares[c] (m)	**1,547**	1,547	1,547
Statutory (loss)/earnings per share[d] (p)	**(5.9)**	5.2	5.2

[a] Refer to page 40 for a definition of constant currency results.
[b] 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.
[c] Stated net of the average number of shares held in the Employee Benefit Trust of 5 million (2018: 5 million).
[d] Basis of preparation of statutory results is shown on page 23.

REVIEW OF THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Significant movements in the consolidated statement of financial position
Current loan notes reduced to £56 million (31 December 2018: £464 million), reflecting the repayment of certain loan notes during the year, as explained below. In addition, non-current bank loans increased to £533 million (31 December 2018: £299 million) reflecting the increased draw-down of the Revolving Credit Facility ("RCF") in 2019.

Total assets of £734 million and liabilities of £280 million have been transferred to assets and liabilities held for sale on the Group's consolidated statement of financial position at 31 December 2019 in contemplation of the conventional cash disposal, refer to note 13.

The following movements in the Group's consolidated statement of financial position are set out elsewhere in this report, as follows:

- Cash, cash equivalents and overdrafts are explained below;
- Goodwill impairment recognised during the year is set out in note 6;
- Retirement benefit obligations are explained in note 15;
- Provisions are analysed in note 16; and
- Net debt is analysed in note 17.

Total equity
Total equity at 31 December 2019 was £302 million (31 December 2018: £740 million). The main movements during the year were: a loss for the year of £80 million (2018: profit of £89 million), other comprehensive loss of £185 million (2018: income of £44 million), and dividends declared in the year of £174 million (2018: £170 million). The other comprehensive loss of £185 million included a re-measurement loss on deferred retirement benefit schemes of £148 million (2018: gain of £38 million) as explained on page 16, an exchange loss on translation of foreign operations of £99 million (2018: gain of £45 million) and a fair value gain in respect of net investment and cash flow hedging financial instruments of £33 million (2018: loss of £31 million).

REVIEW OF THE GROUP'S CASH FLOW AND FINANCING

Consolidated statement of cash flows
Net cash flow from operating activities before tax was £504 million (2018: £585 million). Net cash flow from operating activities was £414 million (2018: £487 million) reflecting underlying operating cash flow, the settlement of the California class action and restructuring and separation costs. Net cash used in investing activities was £85 million (2018: £48 million), including £12 million (2018: £45 million) of net business disposal proceeds. Net cash outflow from financing activities was £430 million (2018: £381 million) with the difference compared with the prior year being mainly the repayment of borrowings of £460 million (2018: £658 million). Cash, cash equivalents and overdrafts at 31 December 2019 were £519 million (2018: £673 million), a net decrease compared with 31 December 2018, including the impact of exchange rate movements, of £154 million (2018: increase of £102 million). The Group's statutory cash flow is presented in full on page 22.

Net debt
Net debt as at 31 December 2019 was £2,092 million (2018: £2,024 million). The Group's net debt to Adjusted EBITDA ratio increased to 2.88x (2018: 2.75x) reflecting the increase in net debt and lower EBITDA in the year. The detailed reconciliation of movements in net debt is provided on page 42 and is reconciled to the statutory cash flow in note B on page 43. Net debt to Adjusted EBITDA calculated on a proforma basis to reflect the sale of the majority of the conventional cash businesses of 2.4x is reconciled on page 7.

Net debt maturity
In April 2019, the Group's credit rating was re-affirmed by Standard & Poor's as BBB-, with a stable outlook. As at 31 December 2019 the Group had liquidity of £1,279 million (2018: £1,423 million) comprising cash, cash equivalents and bank overdrafts of £519 million (2018: £673 million) and unutilised but committed facilities of £760 million (2018: £750 million).

During the year, the Group issued $162 million of US private loan notes maturing in May 2026, and $188 million of US private loan notes maturing in May 2029. The Group also repaid £350 million of GBP public bonds bearing interest rates of 7.75%, and US$145 million of US private loan notes bearing interest rates of 5.96%. As at 31 December 2019 the Group had drawn down £240 million from the RCF facility (2018: undrawn). In June 2019 the Group exercised an option to extend the term of £716 million of the £750 million RCF by a further year, taking it to 2024. In July 2019 the Group entered into a £300 million bridge facility for 12 months with an option to extend for a further six months, amended in December 2019 to £250 million with a 3 month extension so that final maturity is October 2020. This was undrawn as at 31 December 2019.

The next debt maturities are the $74.5 million US private loan note due in July 2020 and the $350 million term loan facility due in 2021. The Group has good access to the capital markets and a diverse range of finance providers. Borrowings are principally in pounds sterling, US dollars and euros, reflecting the geographies of significant operational assets and earnings.

The Group's main sources of finance and their applicable rates as at 31 December 2019 are set out below:

Debt instrument/ Year of issue	Nominal amount[a]	Issued interest rate	Post hedging average interest rate	Year of redemption and amounts (£m)[b]								
				2020	2021	2022	2023	2024	2025	2026	2029	Total
US PP 2007	US$105m	6.06%	2.73%			79						**79**
US PP 2008	US$74.5m	6.88%	6.88%	56								**56**
US PP 2019	US$162m	4.90%	3.83%							124		**124**
US PP 2019	US$188m	5.12%	4.32%								144	**144**
Public Bond 2016	€500m	1.50%	2.25%				438					**438**
Public Bond 2017	€500m	1.50%	3.24%					423				**423**
Public Bond 2018	€550m	1.88%	2.80%						476			**476**
Term Loan Facility 2018	US$350m	3.13%	3.13%		264							**264**
Revolving Credit Facility 2018[c]	£750m (multi-currency)	1.71%	1.71%				11	229				**240**
Bridge facility	£250m	Undrawn	-									**-**
				56	**264**	**79**	**449**	**652**	**476**	**124**	**144**	**2,244**

[a] Nominal debt amount, for fair value and carrying amount see note 19.
[b] Translated at exchange rates prevailing at 31 December 2019, or hedged exchange rates where applicable.
[c] Of the £750 million revolving credit facility, £34 million matures in August 2023 with the remaining £716 million maturing in August 2024. As at 31 December 2019 the Group had drawn down £240 million from the facility.

The average cost of the Group's borrowings, net of lease liabilities, was 3.6% (2018: 3.9%).

OTHER INFORMATION

Significant exchange rates applicable to the Group

The Group derives a significant proportion of its revenue and profits in the following currencies. Closing and average rates for these currencies are shown below:

	31 December 2019 Closing rates	Year to 31 December 2019 Average rates	31 December 2018 Closing rates	Year to 31 December 2018 Average rates
£/US$	**1.3263**	**1.2774**	1.2746	1.3336
£/€	**1.1813**	**1.1412**	1.1130	1.1294
£/South Africa Rand	**18.5415**	**18.4364**	18.3288	17.5598
£/India Rupee	**94.49**	**89.8276**	88.8104	90.9294
£/Brazil Real	**5.3336**	**5.0283**	4.9461	4.8621
£/Saudi Riyal	**4.9759**	**4.7978**	4.7807	5.0098
£/Canada Dollar	**1.7213**	**1.6939**	1.7365	1.7268

Applying December 2019 closing rates to underlying results for the year to 31 December 2019 would result in a decrease in revenue of 2.9% to £7,448 million (for the year ended 31 December 2018: decrease of 2.9% to £7,119 million) and a decrease in Adjusted PBITA of 3.2% to £485 million (for the year ended 31 December 2018: decrease of 3.0% to £486 million).

Applying December 2019 closing rates to the Group's statutory results for the year to 31 December 2019 would result in a decrease in revenue of 2.9% to £7,534 million (for the year ended 31 December 2018: decrease of 2.1% to £7,351 million) and a decrease in Adjusted PBITA of 3.2% to £485 million (for the year ended 31 December 2018: decrease of 1.9%, to £474 million).

The movements in average exchange rates led to an increase in statutory revenue of 0.8% and an increase in Adjusted PBITA of 1.0%. The impact of exchange rate movements decreased the Group's net debt by £10 million compared with the prior year.

Dividend

The Board proposes a final dividend of 6.11p (2018: 6.11p) per share (DKK 0.5214).

Pensions

The Group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2019 recognised in the consolidated statement of financial position was £411 million (31 December 2018: £364 million) or £331 million (31 December 2018: £302 million) net of applicable tax in the relevant jurisdictions. The increase in the Group's net pension deficit compared with the position as at 31 December 2018 primarily reflects an increase in the net deficit of the UK pension scheme together with a smaller increase in the Group's unfunded pension schemes. In addition, pension deficits of £57 million included within businesses in disposal groups held for sale (primarily reflecting a net deficit in the Netherlands Cash pension of £46 million) were transferred to liabilities relating to disposal groups held for sale.

Pensions (continued)

The UK scheme's pension liabilities increased compared with the position as at 31 December 2018 primarily reflecting the decrease in discount rates to 2.0% (31 December 2018: 2.85%) used to compute the scheme obligations following a reduction in corporate bond rates offset by the payment of scheduled deficit repair contributions of £52 million (2018: £41 million) during the year.

The triennial valuation in respect of the UK scheme has concluded, as a result of which the Group has agreed to pay future deficit repair contributions in line with the previous schedule. The schedule sets the deficit repair payment for 2020 at £53 million.

Brexit

The UK left the EU at 11pm on 31 January 2020 beginning a transition period to 31 December 2020 during which time the EU and UK will negotiate their future relationship. Whilst that future relationship is inherently uncertain, the Group operates mainly within national boundaries, typically subject to security-licencing regulations in each territory, and is relatively well positioned to minimise any risk with around 80% of revenues outside of the UK with minimal cross-border trading. Brexit may, however, impact the overall macro-economic environment, including foreign exchange rates, and could also have an impact on the availability of labour in the UK which may have consequential effects on the Group.

The Group will continue to closely monitor developments relating to the future relationship between the UK and the EU as part of its risk management and governance framework.

Coronavirus

The Group is monitoring the development of the ongoing Covid-19 outbreak and managing its risk on a country-by-country basis as the outbreak develops. In areas in which the risk is considered high, operations have been reduced to mitigate the spread of the virus and Business Continuity Plans have been put in place. The Group has also commenced a programme to test potentially affected employees and none have tested positive as yet. Business Continuity Plans have been developed in areas in which the risk is emerging or for which there is considered to be a high risk of a future outbreak. In other countries, the Group has put in place programmes to inform employees of the latest health authority advice to minimise the threat of the future spread of the virus.

Consolidated income statement (unaudited)

Continuing operations	Notes	2019 £m	2018 Restated[1] £m
Revenue	5	**7,758**	7,505
Operating profit before impairment losses on financial and contract assets, joint ventures, specific items and other separately disclosed items		**507**	487
Net impairment losses on financial and contract assets		**(11)**	(11)
Share of post-tax profit from joint ventures		**5**	7
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	5	**501**	483
Specific items – charges	6	**(38)**	(32)
Specific items – credits	6	**25**	11
Restructuring and separation costs	6	**(57)**	(31)
Guaranteed minimum pension equalisation charge	6	**-**	(35)
California class action settlement	6	**18**	(100)
Loss on disposal/closure of subsidiaries/businesses	6,8	**(7)**	(15)
Goodwill impairment	6	**(291)**	-
Amortisation of acquisition-related intangible assets	6	**(6)**	(4)
Operating profit	5,6	**145**	277
Finance income	9	**21**	16
Finance expense	9	**(139)**	(151)
Profit before tax		**27**	142
Tax	10	**(107)**	(55)
(Loss)/profit after tax		**(80)**	87
Profit from discontinued operations	7	**-**	2
(Loss)/profit for the year		**(80)**	89
Attributable to:			
Equity holders of the parent		**(91)**	81
Non-controlling interests		**11**	8
(Loss)/profit for the year		**(80)**	89
(Loss)/earnings per share attributable to equity shareholders of the parent	12		
Basic and diluted – from continuing operations		**(5.9)p**	5.1p
Basic and diluted – from continuing and discontinued operations		**(5.9)p**	5.2p
Dividends declared and proposed in respect of the year			
Interim dividend		**55**	55
Final dividend		**95**	95
Total dividend	11	**150**	150

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

Consolidated statement of comprehensive income (unaudited)

	2019 £m	2018 Restated[1] £m
(Loss)/profit for the year	**(80)**	89
Other comprehensive income		
Items that will not be re-classified to profit or loss:		
Re-measurements on defined retirement benefit schemes	**(148)**	38
Tax on items that will not be re-classified to profit or loss	**22**	(6)
	(126)	32
Items that may be re-classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(99)**	45
Change in fair value of net investment hedging financial instruments	**46**	(42)
Change in cash flow hedging financial instruments	**(13)**	11
Tax on items that may be re-classified subsequently to profit or loss	**7**	(2)
	(59)	12
Other comprehensive (loss)/income, net of tax	**(185)**	44
Total comprehensive (loss)/income for the year	**(265)**	133
Attributable to:		
Equity holders of the parent	**(275)**	124
Non-controlling interests	**10**	9
Total comprehensive (loss)/income for the year	**(265)**	133

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

Consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the parent						
	Share capital £m	**Share premium £m**	**Retained earnings £m**	**Other reserves £m**	**Total £m**	**NCI reserve £m**	**Total equity £m**
At 1 January 2019 - reported	**388**	**258**	**(260)**	**379**	**765**	**18**	**783**
Impact of adoption of IFRS16[1]	**-**	**-**	**(43)**	**-**	**(43)**	**-**	**(43)**
At 1 January 2019 - restated[1]	**388**	**258**	**(303)**	**379**	**722**	**18**	**740**
Total comprehensive loss	**-**	**-**	**(216)**	**(59)**	**(275)**	**10**	**(265)**
Dividends paid	**-**	**-**	**(150)**	**-**	**(150)**	**(24)**	**(174)**
Transactions with non-controlling interests	**-**	**-**	**(19)**	**-**	**(19)**	**27**	**8**
Own shares awarded	**-**	**-**	**(12)**	**12**	**-**	**-**	**-**
Own shares purchased	**-**	**-**	**-**	**(11)**	**(11)**	**-**	**(11)**
Share-based payments	**-**	**-**	**4**	**-**	**4**	**-**	**4**
At 31 December 2019	**388**	**258**	**(696)**	**321**	**271**	**31**	**302**

	Attributable to equity holders of the parent						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	NCI reserve £m	Total equity £m
At 1 January 2018 - reported	388	258	(177)	370	839	4	843
Impact of adoption of IFRS16[1]	-	-	(42)	-	(42)	-	(42)
At 1 January 2018 - restated[1]	388	258	(219)	370	797	4	801
Total comprehensive income - restated[1]	-	-	112	12	124	9	133
Dividends paid	-	-	(150)	-	(150)	(20)	(170)
Transactions with non-controlling interests	-	-	(39)	-	(39)	18	(21)
Consolidation of previously equity-accounted entities	-	-	(6)	-	(6)	7	1
Recycling of cumulative translation adjustments	-	-	-	(1)	(1)	-	(1)
Own shares awarded	-	-	(9)	9	-	-	-
Own shares purchased	-	-	-	(11)	(11)	-	(11)
Share-based payments	-	-	8	-	8	-	8
At 31 December 2018 - restated[1]	388	258	(303)	379	722	18	740

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

Consolidated statement of financial position (unaudited)

	Notes	2019 £m	2018 Restated[1] £m	2017 Restated[1] £m
ASSETS				
Non-current assets				
Goodwill		**1,374**	1,939	1,914
Other acquisition-related intangible assets		**6**	12	9
Non-acquisition-related intangible assets		**106**	100	88
Property, plant and equipment		**501**	728	762
Trade and other receivables		**57**	101	100
Investment in joint ventures		**8**	8	20
Investments	*17*	**26**	23	20
Retirement benefit surplus	*15*	**64**	75	80
Deferred tax assets	*10*	**237**	258	251
		2,379	3,244	3,244
Current assets				
Inventories		**109**	113	104
Investments	*17*	**43**	42	42
Trade and other receivables		**1,287**	1,432	1,420
Current tax assets	*10*	**66**	64	55
Cash and cash equivalents	*17*	**745**	1,015	902
Assets of disposal groups classified as held for sale	*13*	**734**	9	53
		2,984	2,675	2,576
Total assets		**5,363**	5,919	5,820
LIABILITIES				
Current liabilities				
Bank overdrafts	*17*	**(367)**	(305)	(284)
Bank loans	*17*	**(22)**	(13)	(9)
Loan notes	*17*	**(56)**	(464)	(655)
Lease liabilities	*17*	**(89)**	(154)	(118)
Trade and other payables		**(1,079)**	(1,233)	(1,260)
Current tax liabilities	*10*	**(53)**	(56)	(79)
Provisions	*16*	**(64)**	(181)	(104)
Liabilities of disposal groups classified as held for sale	*13*	**(280)**	(1)	(19)
		(2,010)	(2,407)	(2,528)
Non-current liabilities				
Bank loans	*17*	**(533)**	(299)	(7)
Loan notes	*17*	**(1,656)**	(1,533)	(1,486)
Lease liabilities	*17*	**(221)**	(332)	(392)
Trade and other payables		**(41)**	(31)	(33)
Retirement benefit obligations	*15*	**(475)**	(439)	(461)
Provisions	*16*	**(121)**	(132)	(104)
Deferred tax liabilities	*10*	**(4)**	(6)	(8)
		(3,051)	(2,772)	(2,491)
Total liabilities		**(5,061)**	(5,179)	(5,019)
Net assets		**302**	740	801
EQUITY				
Share capital		**388**	388	388
Share premium		**258**	258	258
Reserves		**(375)**	76	151
Equity attributable to equity holders of the parent		**271**	722	797
Non-controlling interests		**31**	18	4
Total equity		**302**	740	801

[1] The consolidated statements of financial position as at 31 December 2018 and 31 December 2017 (1 January 2018) have been restated for the effect of IFRS 16 – Leases, see note 3.

Consolidated statement of cash flows (unaudited)

	2019 £m	2018 Restated[1] £m
Operating profit	**145**	277
Adjustments for non-cash and other items (see note 18)	**373**	385
Increase in inventories	**(8)**	(10)
Increase in receivables	**(28)**	(31)
Increase/(decrease) in payables	**22**	(36)
Net cash flow from operating activities before tax (see note 18)	**504**	585
Tax paid	**(90)**	(98)
Net cash flow from operating activities	**414**	487
Investing activities		
Purchases of non-current assets	**(127)**	(114)
Proceeds on disposal of property, plant and equipment	**17**	12
Disposal/closure of subsidiaries/businesses	**12**	45
Cash, cash equivalents and bank overdrafts in disposed entities	**(1)**	(16)
Cash, cash equivalents and bank overdrafts in acquired entities	**-**	5
Acquisition of subsidiaries	**(4)**	(4)
Interest received	**20**	17
Sale of investments	**(6)**	-
Cash flow from equity-accounted investments	**4**	7
Net cash used in investing activities	**(85)**	(48)
Financing activities		
Dividends paid to equity shareholders of the parent	**(150)**	(150)
Dividends paid to non-controlling interests	**(22)**	(20)
Purchase of own shares	**(11)**	(11)
Proceeds from new borrowings	**526**	765
Repayment of borrowings	**(460)**	(658)
Interest paid	**(142)**	(141)
Repayment of lease obligations	**(157)**	(165)
Transactions with non-controlling interests	**(14)**	(1)
Net cash outflow from financing activities	**(430)**	(381)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(101)**	58
Cash, cash equivalents and bank overdrafts at the beginning of the year	**673**	571
Effect of foreign exchange rate fluctuations on net cash held	**(53)**	44
Cash, cash equivalents and bank overdrafts at the end of the year	**519**	673

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

Notes to the financial statements

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 ("adopted IFRS"). The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising "the Group") and the Group's interest in joint ventures made up to 31 December each year.

The financial information contained in the preliminary results announcement does not constitute statutory accounts of the Group for the years ended 31 December 2019, 31 December 2018 or 31 December 2017. The results and financial information for 2019 are unaudited. Statutory accounts for 2018 and 2017 have been delivered to the registrar of companies and those for 2019 will be delivered in due course. The accounts for 2018 and 2017 have been reported on by the Group's auditors; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, 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 accounting policies consistent with those applied by the Group in its 2018 Integrated Report and Accounts, except for the adoption of IFRS 16 – Leases; IFRIC 23 – Uncertainty over income tax treatments; IAS 19 amendments – Plan amendment, curtailment or settlement*;* and the Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest Rate Benchmark Reforms as described in note 3.

On 26 February 2020, the Group entered into an agreement to sell the majority of its conventional cash businesses (the "Disposal Group") to Brink's for net cash consideration of £670m (see note 13 for more details). Assets and liabilities of the businesses subject to the transaction have been included within disposal groups classified as held for sale in the consolidated statement of financial position as at 31 December 2019 as set out in note 13. Comparatives have not been re-presented.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2) 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 judgment need to be disclosed separately in arriving at operating profit 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.

All specific items are evaluated and approved by the Group's Audit Committee prior to being separately disclosed. The Group seeks to be balanced when reporting specific items for both debits and credits, and any reversals of excess provisions previously created as specific items are classified consistently as specific items. Specific items may not be comparable with similarly-titled measures used by other companies.

In general, provisions recognised for future losses on onerous contracts are charged to the consolidated income statement within Adjusted PBITA. However, where onerous contract charges are significant by virtue of their size, they are separately charged within specific items. Such losses are distinct from "in-year" losses, which are utilised against provisions for onerous contract losses. Releases of onerous contract provisions originally charged as specific items are separately credited within specific items. On adoption of IFRS 16, some of the Group's onerous contract provisions were replaced with lease liabilities and the associated right-of-use assets were impaired to the extent that the contracts were onerous (see note 3). Profits arising on such contracts have been recorded within specific items to the extent that the related impairments were previously recorded as specific items.

In order to provide further clarity in the consolidated income statement, the Group also discloses separately certain restructuring costs, profits or losses on disposal or closure of subsidiaries, costs of major corporate restructuring, acquisition-related amortisation and expenses and goodwill impairments. Restructuring costs that are separately disclosed reflect costs incurred relating to the Group's 2018 to 2020 productivity programme announced in 2017. This programme is of a strategic nature and, as such, is monitored and approved by the Group's Executive Committee. In addition, in 2019, the Group has disclosed separately the costs incurred in the Cash Solutions separation and subsequent sale of the majority of the Group's conventional cash businesses to Brink's.

Notes to the financial statements (continued)

3) Adoption of new and revised accounting standards and interpretations

IFRS 16 – Leases

The Group adopted IFRS 16 – Leases with effect from 1 January 2019, and has prepared the consolidated financial statements in accordance with the requirements of this new standard. Its principal effect was to gross up the Group's balance sheet to recognise additional right-of-use assets within property, plant and equipment and additional lease liabilities in respect of leases that were previously treated as operating leases. The associated operating lease charge that was previously recorded within operating costs has been removed and replaced with a depreciation charge in respect of the additional assets recognised and an interest charge in respect of the additional lease creditors recognised.

The Group adopted the standard using the fully retrospective method and has restated its results for comparative periods as if the new standard had always been applied. In doing so, the Group made use of the practical expedient to rely on the previous definition of a lease (as provided by IAS 17) to determine which contracts that were in existence at 1 January 2018 contained a lease.

The Group applies the recognition exemptions available to short-term leases (being those with an initial term of 12 months or less) and leases of low-value items (being assets with a cost, when new, of less than £2,500) and recognises the payments associated with those leases as an expense on a straight-line basis over the term of the lease. For all other leases, the Group recognises a right-of-use asset and corresponding liability at the date at which the leased asset is made available for use by the Group.

Lease liabilities are measured at the present value of the future lease payments including fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivables. The Group applies the practical expedient to include non-lease components included in lease contracts in the measurement of lease liabilities. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be measured, at an incremental borrowing rate determined based on publicly available data for liabilities with matching start-dates, terms and currencies, adjusted for the country-specific risk and the credit rating of the lessee. No adjustment is made to reflect the nature of the leased assets on the basis that a lender would not make a material adjustment to the borrowing rate to reflect the nature of the underlying assets.

Right of use assets are measured, on initial recognition, at an amount equal to the value of the associated lease liability, adjusted for any payments made before inception and initial direct costs.

Subsequent to initial recognition, the Group records an interest charge in respect of the lease liability. The related right-of-use asset is amortised over the term of the lease or, if shorter, the Useful Economic Life (UEL) of the leased asset unless it is reasonably certain that the Group will acquire the asset at the end of the lease in which case it is recognised over the asset's UEL. Lease liabilities are adjusted for changes to the future cash flows due under the lease (for example, changes based on movements in indexes or rates) with a corresponding adjustment typically made to the associated asset.

The impact of adopting IFRS 16 on the Group's consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows is presented in the following tables.

Consolidated income statement			
	Year ended 31 December 2018		
	As reported £m	**IFRS16 £m**	**Restated £m**
Revenue	**7,512**	**(7)**	**7,505**
Operating profit	**253**	**24**	**277**
Finance income	16	-	16
Finance expense	(126)	(25)	(151)
Profit before tax	**143**	**(1)**	**142**
Tax	(55)	-	(55)
Profit from continuing operations after tax	**88**	**(1)**	**87**
Profit from discontinued operations	2	-	2
Profit for the year	**90**	**(1)**	**89**

The adoption of IFRS16 had no impact on non-controlling interests for the year ended 31 December 2018.

Notes to the financial statements (continued)

3) Adoption of new and revised accounting standards and interpretations (continued)

Consolidated statement of financial position	As at 31 December 2018			As at 31 December 2017		
	As reported £m	IFRS16 £m	Restated £m	As reported £m	IFRS16 £m	Restated £m
ASSETS						
Non-current assets						
Property, plant and equipment	367	361	728	395	367	762
Trade and other receivables[1]	88	13	101	82	18	100
Deferred tax assets	248	10	258	242	9	251
Other non-current assets	2,157	-	2,157	2,131	-	2,131
	2,860	**384**	**3,244**	**2,850**	**394**	**3,244**
Current assets						
Trade and other receivables	1,429	3	1,432	1,417	3	1,420
Other current assets	1,243	-	1,243	1,156	-	1,156
	2,672	**3**	**2,675**	**2,573**	**3**	**2,576**
Total assets	**5,532**	**387**	**5,919**	**5,423**	**397**	**5,820**
LIABILITIES						
Current liabilities						
Lease liabilities	(11)	(143)	(154)	(15)	(103)	(118)
Trade and other payables[1]	(1,237)	4	(1,233)	(1,263)	3	(1,260)
Provisions[2]	(202)	21	(181)	(104)	-	(104)
Other current liabilities[3]	(838)	(1)	(839)	(1,045)	(1)	(1,046)
	(2,288)	**(119)**	**(2,407)**	**(2,427)**	**(101)**	**(2,528)**
Non-current liabilities						
Lease liabilities	(16)	(316)	(332)	(20)	(372)	(392)
Provisions[2]	(136)	4	(132)	(138)	34	(104)
Other non-current liabilities[3]	(2,309)	1	(2,308)	(1,995)	-	(1,995)
	(2,461)	**(311)**	**(2,772)**	**(2,153)**	**(338)**	**(2,491)**
Total liabilities	**(4,749)**	**(430)**	**(5,179)**	**(4,580)**	**(439)**	**(5,019)**
Net assets	**783**	**(43)**	**740**	**843**	**(42)**	**801**
EQUITY						
Share capital	388	-	388	388	-	388
Share premium	258	-	258	258	-	258
Reserves	119	(43)	76	193	(42)	151
Equity attributable to equity holders of the parent	**765**	**(43)**	**722**	**839**	**(42)**	**797**
Non-controlling interests	18	-	18	4	-	4
Total equity	**783**	**(43)**	**740**	**843**	**(42)**	**801**

[1] The Group, on occasion, leases assets from suppliers and then sub-lets them to customers as part of its service delivery offering. In some such arrangements, the lease from the supplier previously qualified as an operating lease meaning that no lease liability or associated asset were recorded. Under IFRS 16, a right of use asset has been recognised in respect of leases from the Group's suppliers. In situations in which the onward lease qualifies as a finance lease of the right of use asset, that asset has been treated as having been sold and replaced by a receivable in respect of the Group's lease to its customer. Such receivables have been included within other receivables.

[2] The Group has historically recorded provisions for future operating lease expenditure when the future cost of a lease is greater than the benefits that the Group will derive from it. On the adoption of IFRS 16, future lease expenditure is included in the lease liability. The Group has therefore derecognised the part of its provisions that relates to future lease payments and replaced it with lease liabilities. The associated right-of-use asset has been impaired to the extent that it is not supported by the benefits that will be derived from the lease.

[3] The Group identified £8m (2017: £3m) of liabilities during the course of its IFRS 16 adoption project that were previously included within other liabilities that would be more appropriately classified as bank loans. As a result, it has re-presented those amounts to include them within bank loans at 31 December 2018 with no effect on total liabilities or net assets.

Notes to the financial statements (continued)

3) Adoption of new and revised accounting standards and interpretations (continued)

Consolidated statement of cash flows

	Year ended 31 December 2018		
	As reported £m	**IFRS16 £m**	**Restated £m**
Operating profit	253	24	277
Adjustments for non-cash and other items	240	145	385
Increase in inventories	(10)	-	(10)
Increase in receivables	(40)	9	(31)
Decrease in payables	(30)	(6)	(36)
Net cash flow from operating activities before tax	**413**	**172**	**585**
Tax paid	(98)	-	(98)
Net cash flow from operating activities	**315**	**172**	**487**
Investing activities			
Purchases of non-current assets	(114)	-	(114)
Proceeds on disposal of property, plant and equipment	12	-	12
Other investing activities	54	-	54
Net cash used in investing activities	**(48)**	**-**	**(48)**
Financing activities			
Interest paid	(116)	(25)	(141)
Repayment of lease obligations	(14)	(151)	(165)
Other financing activities	(79)	4	(75)
Net cash outflow from financing activities	**(209)**	**(172)**	**(381)**
Net increase in cash, cash equivalents and bank overdrafts	58	-	58
Cash, cash equivalents and bank overdrafts at 1 January	571	-	571
Effect of foreign exchange rate fluctuations on net cash held	44	-	44
Cash, cash equivalents and bank overdrafts at the end of the year	**673**	**-**	**673**

IFRIC 23 – Uncertainty over income tax treatments

The Group has adopted IFRIC 23 – Uncertainty over income tax treatments with effect from 1 January 2019. The interpretation clarifies the recognition and measurement requirements of IAS 12 - Income taxes in respect of: whether uncertain tax positions should be considered separately or together as a group; the approach that should be used to measure liabilities in respect of uncertain tax positions; and how to take into account assumptions about the examination of uncertain tax positions by taxation authorities. The adoption of the interpretation had no material effect.

IAS 19 amendments – Plan amendment, curtailment or settlement

The Group adopted the IAS 19 amendments – Plan amendment, curtailment or settlement with effect from 1 January 2019. The adoption of the IAS 19 amendment did not have a material effect on the Group's results for the current or prior year.

Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest Rate Benchmark Reform

The Group holds a USD 105m interest rate swap and a Euro 100m interest rate swap in fair value hedge relationships. These swaps reference six month USD LIBOR and 1 year EURIBOR respectively. The replacement of interbank offered rates (such as LIBOR and EURIBOR) has been announced as a priority for global regulators which has potential implications for the hedge effectiveness of these relationships.

The Group early adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest Rate Benchmark (IBOR) Reforms early, with effect from 1 January 2019. The amendments provide temporary relief from the need to apply certain specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. As a result, the prospect of IBOR reform should not result in the Group's hedging relationships ceasing to meet the requirements for hedge accounting. The reliefs in the amendments will cease to apply when the uncertainty arising from IBOR reform no longer exists. The adoption of the amendments did not have a material effect on the results for the year or the statement of financial position as at 31 December 2019.

There was no material effect from the adoption of any other new standards or interpretations in the year ended 31 December 2019, which included:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRS 9 amendments – Prepayment features with negative compensation
- IAS 28 amendments – Long term interests in associates and joint ventures

3) Adoption of new and revised accounting standards and interpretations (continued)

New standards not yet effective

The Group has not early-adopted any standard, amendment or interpretation in the year other than the Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest rate benchmark reforms discussed above. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019. The directors are currently evaluating the impact of these new standards on the group financial statements:

- IFRS 3 amendments – Definition of a business; and
- IAS 1 and IAS 8 – Definition of material.

4) Accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with adopted IFRS requires management to make judgments, 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 year. These judgments, 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 judgments, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. The judgments, estimates and assumptions which are of most significance in preparing the Group's consolidated financial statements are the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except that the judgment with respect to the classification of leases is no longer relevant as the Group now applies IFRS 16 - Leases which does not distinguish between the two types of lease. In addition, judgment has been applied in determining whether payments in periods covered by extension options should be included in lease creditors and in the estimation of incremental borrowing rates when applying IFRS 16 – Leases as explained in note 3. The Group has also applied judgment is assessing the appropriate classification and disclosure of the businesses subject to the conventional cash disposal as explained in note 13.

Notes to the financial statements (continued)

5) Operating segments and revenue

The Group operates on a worldwide basis and derives its revenue and the majority of its operating profit from its four Secure Solutions regions: Africa, Asia, the Americas and Europe & Middle East, and its Cash Solutions division. The Group Executive Committee (the Chief Operating Decision Maker) reviews internal management reports for each of these reportable segments on a regular basis.

Segment information is presented below:

Revenue by reportable segment	**2019** **£m**	2018 Restated[1] £m
Africa	**425**	406
Americas	**2,703**	2,443
Asia	**940**	882
Europe & Middle East	**2,590**	2,644
Total Secure Solutions	**6,658**	6,375
Cash Solutions	**1,100**	1,130
Total Revenue	**7,758**	7,505
Adjusted profit before interest, tax and amortisation (Adjusted PBITA) by reportable segment		
Africa	**30**	33
Americas	**136**	131
Asia	**70**	65
Europe & Middle East	**179**	183
Total Secure Solutions	**415**	412
Cash Solutions	**134**	121
Adjusted PBITA before corporate costs	**549**	533
Corporate costs	**(48)**	(50)
Adjusted PBITA	**501**	483
Specific items (net)	**(13)**	(21)
Restructuring and separation costs	**(57)**	(31)
California class action settlement	**18**	(100)
Guaranteed minimum pension equalisation charge	**-**	(35)
Loss on disposal/closure of subsidiaries/businesses	**(7)**	(15)
Goodwill impairment	**(291)**	-
Amortisation of acquisition-related intangible assets	**(6)**	(4)
Operating profit	**145**	277

[1] Restated for the effects of IFRS 16 – Leases, see note 3.

The Group's revenue by customer type can be analysed as follows:

Revenue by customer type	**2019** **£m**	2018 Restated[1] £m
Major corporates	**2,761**	2,556
Government	**1,640**	1,615
Financial institutions	**1,235**	1,249
Retail, leisure and consumers	**1,263**	1,248
Energy and utilities	**459**	430
Transport, ports and aviation	**400**	407
Total Revenue	**7,758**	7,505

[1] Restated for the effects of IFRS 16 – Leases, see note 3.

Notes to the financial statements (continued)

6) Operating profit

The income statement can be analysed as follows:

Continuing operations	**2019** **£m**	2018 Restated[1] £m
Revenue	**7,758**	7,505
Cost of sales	**(6,419)**	(6,189)
Gross profit	**1,339**	1,316
Administration expenses	**(897)**	(1,035)
Net impairment losses on financial and contract assets	**(11)**	(11)
Goodwill impairment	**(291)**	-
Share of profit after tax from joint ventures	**5**	7
Operating profit	**145**	277

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

Operating profit includes items that are separately disclosed for the year ended 31 December 2019 related to:

- The specific items charge was £38m (2018: £32m). During 2019, the Group updated its HR policy formally to waive its rights to recover certain recruitment-related costs under local law in the Gulf states and as a result incurred a non-recurring, non-cash expense of £15m. Also included within specific items charge was a £9m charge that has been booked in relation to collective labour claims in the US, most of which were received during the year, following the California class action settlement, and an amount of £5m, that was incurred in the UK Care & Justice business, in relation to investigation activities and legal advice in connection with the on-going investigation by the Serious Fraud Office in respect of the Group's Electronic Monitoring contract (see note 16). An additional £5m specific item charge relates to a review of legacy labour claims in Brazil. Finally, a £4m additional onerous contract provision was recorded as a specific item relating to a facilities management contract in the UK;

- Specific items charges incurred during the year ended 31 December 2018 of £32m included £12m related to provisions in Asia in respect of historical employee gratuities and end-of-service benefits and £11m related to the reassessment of estimated settlement amounts in respect of historical workers' compensation claims in the Americas. Also included in specific item charges was a £9m onerous contract charge related to two UK Care & Justice Services contracts, reflecting estimated future losses over their expected remaining terms;

- Specific items credits of £25m (2018: £11m) include £22m related to the improved performance of three UK onerous contracts together with the review of their related provisions, and £3m in respect of the recovery of a legacy claim in North America;

- Specific items credits recorded during the year ended 31 December 2018 of £11m included a £5m release of onerous contract provisions in the UK for which the related charges had previously been recorded as specific items, following the implementation of operational efficiencies in the contracts leading to a reduction in expected future losses. In addition, a further £6m, primarily related to successful legal claims made by the Group in the Americas, was credited as a specific item;

- Charges of £57m (2018: £31m) were recorded for restructuring and separation during the year ended 31 December 2019. Restructuring costs of £19m (2018: £30m) related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe and the Middle East, the Americas and Cash Solutions. During the year the Group also incurred costs of £38m in respect of the Cash Solutions separation. In addition, the Group incurred non-strategic reorganisation costs of £11m (2018: £9m) which are included within Adjusted PBITA;

- Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group recorded a charge of £35m for the year ended 31 December 2018 in respect of the equalisation of benefits for historical guaranteed minimum pension obligations between males and females in the UK;

- In January 2019, the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California, for which a provision of £100m had been recorded in the year to 31 December 2018. The settlement was approved by the Superior Court of the State of California in October 2019. The amount finally determined in court and paid was £87m ($110m) which was lower than the existing provision. As a result, the excess remaining provision of £18m was released to the income statement and recognised as a credit within specific and other separately disclosed items;

- During the year, the Group recognised a net loss of £7m (2018: £15m) reflecting a small profit recognised on the disposal of a parking management business in Estonia offset by costs incurred on business closures and historical disposals, primarily relating to disposals made by the Group during 2018. Disposals during the year ended 31 December 2018 included the Group's businesses in Hungary and the Philippines, its archiving business in Kenya and its Cash Solutions businesses in the United Arab Emirates, Columbia and Saudi Arabia;

6) Operating profit (continued)

- During the year the Group recognised a goodwill impairment of £205m (2018: £nil) to fully impair the goodwill in respect of its UK Cash Solutions business. The Group's UK Cash Solutions business continues to be profitable and the Group believes that cash in the UK will continue to represent an important form of payment for the foreseeable future with G4S well placed to exploit new opportunities as the market evolves. Nevertheless, given the rate of decline in cash volumes in the UK market experienced in 2019, the annual end-of-year impairment test has led to the need to impair the historical goodwill balance that was allocated to the business at the time of the merger between Group 4 Falck and Securicor in 2004. The valuation of the business at 31 December 2018 was determined on the basis of fair value less costs to sell based on a discounted cash flow model;
- The Group has also recognised a goodwill impairment of £35m (2018: £nil) in respect of its Brazil Secure Solutions business (within the Americas region) that was acquired in 2012. The impairment charge reflects the adverse macro-economic environment affecting the business that is expected to subsist for a prolonged period. Those conditions have resulted in management reassessing its expectations for the future business performance in Brazil;
- A goodwill impairment of £40m (2018: £nil) has been recognised in relation to the Group's Facilities Management business in the UK (within the Europe & Middle East region) reflecting the Group's strategy of managing this business for value and therefore bidding selectively which has entailed stepping back from bidding for certain contracts as they come up for renewal;
- A goodwill impairment of £11m (2018: £nil) was also recognised to fully impair the goodwill in respect of the Group's Secure Solutions business in the United Arab Emirates (within the Europe & Middle East region) reflecting a material contraction in the scale of that business in the year; and
- Amortisation of acquisition-related intangible assets was £6m (2018: £4m).

7) Discontinued operations

There was no profit or loss from discontinued operations during the year (2018: £2m). Profit from discontinued operations of £2m in the prior year relates to the recovery in 2019 of receivables that had been provided for as at 1 January 2018, in relation to historical disposals of businesses classified as discontinued operations at the time of sale. Discontinued operations incurred no tax charge in 2019 or 2018.

For the year ended 31 December 2019 discontinued operations generated cash flows of £8m in respect of the collection of amounts due related to the disposal of the US Government Solutions business sold in 2014 (2018: £nil).

None of the Group's businesses currently held for sale, or sold or closed, meet the criteria to be classified as discontinued operations in the current year (2018: none).

8) Disposals, closures and other transactions

During the year ended 31 December 2019 the Group sold a parking management business in Estonia realising net cash consideration of £5m. This business did not generate any material Adjusted PBITA to the date of disposal (for the year ended 31 December 2018: £1m). The Group also received additional consideration of £15m (2018: £1m) and incurred costs of £12m (2018: £5m) relating to businesses disposed of or sold in prior years. In addition, as explained in note 13, on 26 February 2020 the Group agreed to sell the majority of its conventional cash businesses to Brink's.

In 2018 the Group sold nine businesses, including the Group's businesses in Hungary and the Secure Solutions business in the Philippines, its archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, realising net cash consideration of £45m. The Group also closed a small number of minor operations during 2018, which together with the businesses sold generated Adjusted PBITA of £(9)m in 2018 up to the date of disposal or closure. In addition, during 2018 shareholder agreements were re-negotiated for certain joint ventures resulting in the Group obtaining control of these operations.

Notes to the financial statements (continued)

8) Disposals, closures and other transactions (continued)

The loss on disposal/closure of subsidiaries/businesses of £7m (2018: £15m) includes a loss on disposal of fixed assets of £2m (2018: £nil) primarily relating to properties sold in Europe. The net assets and remaining net loss on disposal/closure of operations disposed of or closed were as follows:

	2019 **£m**	2018 Restated[1] £m
Goodwill	**-**	22
Property, plant and equipment	**6**	24
Other non-current assets	**-**	4
Current assets	**2**	51
Liabilities	**(7)**	(39)
Net assets of operations disposed/closed	**1**	62
Less: recycling from currency translation reserve	**-**	(1)
Less: movements in opening debtors/creditors in respect of prior year disposals[2]	**12**	-
Net impact on the consolidated statement of financial position due to disposals/closures	**13**	61
Loss on disposal/closure of subsidiaries/businesses	**(5)**	(15)
Total consideration	**8**	46
Satisfied by:		
Cash received	**5**	48
Disposal costs paid	**-**	(4)
Additional consideration received relating to disposals completed in prior year[2]	**15**	1
Additional costs paid relating to disposals completed in prior year	**(8)**	-
Net cash consideration received in the year	**12**	45
Deferred consideration receivable	**-**	6
Accrued disposal and other costs	**(4)**	(5)
Total consideration	**8**	46

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

[2] Consideration received in 2019 includes £8m of receivables that were collected in the year relating to amounts owed to the Group following the disposal of the US Government Solutions business in 2014 which is classified as a discontinued operation.

Other transactions

During the year ended 31 December 2019 the Group invested £4m on acquisitions including the purchase of a small Cash Solutions business in the Netherlands (included in the disposal group held for sale as at 31 December 2019) and an additional £14m to acquire non-controlling interests primarily in a business in Europe and in two businesses in Latin America (2018: invested £2m in the acquisition of two minor Secure Solutions businesses in Asia and Europe & Middle East and paid £2m in respect of acquisitions completed in prior years). The Group also recognised a receivable of £20m for the sale of shares in a business in Asia to one of its partners to strengthen its relationships in that country.

During the prior year, the Group also re-negotiated shareholder agreements for certain joint ventures resulting in the Group obtaining control of these operations. The Group also committed to invest £21m in the acquisition of non-controlling interests in certain operations, primarily in Asia.

Notes to the financial statements (continued)

9) Net finance expense

	2019 £m	2018 Restated[1] £m
Interest and other income on cash, cash equivalents and investments	**16**	12
Other finance income	**5**	4
Finance income	**21**	16
Interest on bank overdrafts and loans	**(32)**	(16)
Interest on loan notes	**(51)**	(81)
Net interest payable on loan note related derivatives	**(11)**	(7)
Gain arising from interest rate swaps derivatives not in a hedging relationship	**(1)**	-
Gain arising from fair value adjustment to the hedged loan note items	**-**	6
Loss arising from change in fair value of derivative financial instruments hedging loan notes	**-**	(6)
Interest on lease liabilities	**(24)**	(27)
Other interest charges	**(9)**	(9)
Total Group borrowing costs	**(128)**	(140)
Finance costs on defined retirement benefit obligations	**(11)**	(11)
Finance expense	**(139)**	(151)
Net finance expense	**(118)**	(135)

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

10) Tax

	2019 £m	2018 Restated[1] £m
Current taxation expense	**93**	75
Deferred taxation credit/(expense)	**14**	(20)
Total income tax expense for the year	**107**	55

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

The effective tax rate on continuing operations was 396% (2018: 39%). In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior year is primarily driven by the impact of impairments (see note 6) for which no tax benefit is available, the level of provision required for potential liabilities not agreed with tax authorities, changes in the recognition of deferred tax assets and the geographic mix of profits.

At 31 December 2019, the Group had recognised deferred tax assets of £237m (2018: £258m) based upon the latest view of expected future profitability of businesses to which these assets relate. Deferred tax liabilities of £4m (2018: £6m), current tax liabilities of £53m (2018: £56m) and current tax assets of £66m (2018: £64m) were also recognised. Deferred tax assets arise predominantly on tax losses and on deficits in defined benefit pension schemes. At 31 December 2019, the Group had estimated tax losses of £317m (2018: £312m) which were not recognised as deferred tax assets. Recognition of deferred tax assets is dependent upon the availability of future taxable profits based on business plans of the legal entities.

At 31 December 2019, the Group had capital losses available to carry forward of approximately £2.7bn (2018: £2.7bn). These losses have no expiry date and only £144m (2018: £144m) has been agreed with the relevant tax authorities. A deferred tax asset of £10m (2018: £2m) has been recognised on £57m (2018: 13m) of capital losses. No deferred tax asset has been recognised in respect of remainder of the losses as the likelihood of their future utilisation is considered to be remote.

At 31 December 2019, the Group had adequate provision for liabilities likely to arise in accounting years which remain open to enquiry by tax authorities. The global nature of the Group's operations means that the most significant tax risk is in relation to challenges from tax authorities regarding the pricing of cross-border transactions and the Group's interpretation of the OECD's arm's-length principle. This risk is largely driven by the inherently subjective nature of transfer pricing and the divergent views taken by tax authorities.

10) Tax (continued)

In determining the appropriate level of provisions in respect of such challenges, the Group applies a risk-based approach which considers factors such as the quantum of the charge, the countries party to the transaction and the relevant statutes of limitation. An assessment is also made of the likelihood that compensating adjustments will be obtained under the relevant tax treaties to mitigate the level of double taxation which could arise. As the Group operates in a significant number of countries, determining the appropriate level of provisions inevitably involves a significant level of judgment which is typically influenced by the Group's constantly evolving experience of tax controversy in different countries. The Group has open tax years in a number of countries involving a number of issues, with the most material disputes typically being in respect of cross-border transactions.

At 31 December 2019, the Group had total tax exposures of approximately £151m (2018: £134m) of which £33m (2018: £25m) is provided against. The Group believes that it has made appropriate provision for open tax years which have not yet been agreed by tax authorities. The final agreed liabilities may vary from the amounts provided, as these are dependent upon the outcomes of the domestic and international dispute resolution processes in the relevant countries. The Group typically has limited control over the timing of resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Group does not expect material changes to occur in the level of provisions against existing uncertain tax positions during the next twelve-month period.

At any point in time, the Group is typically subject to tax audits in a number of different countries. In situations where a difference of opinion arises between the Group and a local tax authority in respect of its tax filings, the Group will debate the contentious areas and, where necessary, resolve them through negotiation or litigation. The Group relies upon advice and opinions from the Group tax department, local finance teams and external advisors, to ensure that the appropriate judgments are made when establishing accounting provisions in relation to such disputes.

11) Dividends

	Pence per share	DKK per share	**2019 £m**	2018 £m
Amounts recognised as distributions to equity holders of the parent during the year				
Final dividend for the year ended 31 December 2017	6.11	0.5097	**-**	95
Interim dividend for the six months ended 30 June 2018	3.59	0.2969	**-**	55
Final dividend for the year ended 31 December 2018	6.11	0.5321	**95**	-
Interim dividend for the six months ended 30 June 2019	3.59	0.2905	**55**	-
			150	150
Proposed final dividend for the year ended 31 December 2019	6.11	0.5214	**95**	

The proposed final dividend is subject to approval at the Annual General Meeting. If so approved, it will be paid on 12 June 2020 to shareholders who are on the register on 1 May 2020. The Danish kroner exchange rate shown above for that dividend is that at 10 March 2020.

12) Earnings/(loss) per share attributable to equity shareholders of the parent

	2019 £m	2018 Restated[1] £m
From continuing and discontinued operations		
(Loss)/earnings		
(Loss)/profit for the year attributable to equity shareholders of the parent	**(91)**	81
Weighted average number of ordinary shares[2] (m)	**1,547**	1,547
(Loss)/earnings per share from continuing and discontinued operations		
Basic and diluted (p)	**(5.9)**	5.2
From continuing operations		
(Loss)/earnings		
(Loss)/profit for the year attributable to equity shareholders of the parent	**(91)**	81
Adjustment to exclude profit for the year from discontinued operations (net of tax)	**-**	(2)
Profit from continuing operations	**(91)**	79
(Loss)/earnings per share from continuing operations		
Basic and diluted (p)	**(5.9)**	5.1
From discontinued operations		
Earnings		
Profit for the year from discontinued operations (net of tax)	**-**	2
Earnings per share from discontinued operations		
Basic and diluted (p)	**-**	0.1

1 Restated for the effect of IFRS 16 – Leases, see note 3.
2 Stated net of the average number of shares held in the Employee Benefit Trust of 5m (2018: 5m).

13) Disposal groups classified as held for sale

On 13 December 2018, the Group announced that it was reviewing options for separating its Cash Solutions business and, on 9 August 2019, announced that it had approved the separation of the Cash Solutions business from the Group, setting in train plans for the demerger of Cash Solutions in H1 2020. During the remainder of 2019, the Group substantially completed the work necessary to allow the legal and physical separation of the Cash Solutions businesses from the Group. The Group also announced that it had received a number of unsolicited expressions of interest in all or part of the Cash Solutions business that it was evaluating.

On 26 February 2020 the Group announced that it had reached an agreement to sell the majority of its conventional cash businesses to Brink's (the "Transaction") for consideration of approximately £670m.

The Transaction is the outcome of a comprehensive engagement with third parties that ran in parallel with demerger preparations during 2019. This dual-track process was designed to maximize shareholder value, having due regard for the interests of all G4S's stakeholders including customers, pension schemes' members and employees and was well advanced at 31 December 2019. Consequently, the Group has classified the conventional cash businesses subject to the transaction as being held for sale at 31 December 2019.

The entities subject to the transaction comprise principally all of the Group's cash in transit and cash processing businesses in Belgium, Cyprus, Czech Republic, Dominican Republic, Hong Kong, Indonesia, Ireland, Malaysia, Netherlands, Romania, the Baltic States, Kuwait, Luxembourg, Macau and the Philippines and the Group's international logistics business. Revenue from businesses in the disposal group was £623m (2018: £575m) and Adjusted PBITA was £75m (2018: £68m) after attributable overheads of £7m (2018: £7m). Revenue and Adjusted PBITA of the businesses subject to the transaction are analysed on page 7.

As the disposal does not represent the Group's exit from providing cash in transit or cash processing operations, the businesses subject to the disposal have not been presented as discontinued operations. Nevertheless, the assets and liabilities reported by the disposal group have been separately presented within assets and liabilities of disposal groups in the consolidated statement of financial position, with a full balance sheet for the disposal group provided below.

As at 31 December 2018, disposal groups classified as held for sale related to a minor operation in Asia, which was sold in January 2019, and assets classified as held for sale related to property located in Europe which was sold during 2019.

Notes to the financial statements (continued)

13) Disposal groups classified as held for sale (continued)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2019 £m	2018 £m
Assets		
Goodwill	**221**	-
Acquisition-related intangible assets	**3**	9
Property, plant and equipment and non-acquisition-related intangible assets	**161**	-
Deferred tax assets	**18**	-
Trade and other receivables[1]	**122**	-
Inventories	**6**	-
Cash and cash equivalents	**203**	-
Comprising:		
Cash at bank and in hand	***129***	-
Stocks of money within cash processing operations[2]	***41***	-
Cash in ATMs	***33***	-
Total assets of disposal groups classified as held for sale	**734**	9
Liabilities		
Trade and other payables[2]	**(136)**	(1)
Lease liabilities	**(77)**	-
Bank loans	**(1)**	-
Retirement benefit obligations	**(57)**	-
Provisions	**(8)**	-
Deferred tax liability	**(1)**	-
Total liabilities of disposal groups classified as held for sale	**(280)**	(1)
Net assets of disposal groups	**454**	8

[1] Net of trade receivable loss allowance of £2m (2018: £nil).

[2] Trade and other payables includes £41m of cash processing liabilities related to stocks of money held within cash processing operations.

The disposal group was tested for impairment at the date of classification as held for sale and the Group determined that the disposal group's fair value less costs to sell was in excess of its carrying value and therefore no impairment was required.

14) Cash and cash equivalents, overdrafts and customer cash processing balances

The Group's Cash Solutions businesses provide a range of cash handling and processing services on behalf of customers. These services include collection, segregated storage and delivery of customer cash, with title to the cash handled remaining with the customer throughout the process. For these services, customer cash is never recorded in the Group's balance sheet.

A number of other cash processing services are provided to customers, such as the sale and purchase of physical cash balances, and the replenishment of ATMs and similar machines from customer funds held in Group bank accounts. These funds, which are generally settled within two working days, are classified as "funds within cash processing operations", along with the related balances due to and from customers in respect of unsettled transactions, and are included gross within the relevant balance sheet classifications.

Funds within cash processing operations	**2019 £m**	2018 £m
Stocks of money, included within cash and cash equivalents	**31**	59
Overdraft facilities related to cash processing operations, included within bank overdrafts	**(13)**	(22)
Liabilities to customers in respect of cash processing operations, included within trade and other payables	**(19)**	(43)
Receivables from customers in respect of cash processing operations, included within trade and other receivables	**1**	6
Funds within cash processing operations (net)	**-**	**-**

As at 31 December 2019, businesses with stocks of money of £41m; overdraft facilities of £3m and liabilities to customers of £44m were reported within the assets and liabilities of disposal groups held for sale (see note 13).

Notes to the financial statements (continued)

14) Cash and cash equivalents, overdrafts and customer cash processing balances (continued)

Whilst cash and bank balances used in these services are not formally restricted by legal title, they are restricted by the Group's own internal policies such that they cannot be used for the purposes of the Group's own operations. For the purposes of the Group's consolidated statement of cash flow, funds within cash processing operations are therefore recorded net of the related balances due to and from customers in respect of unsettled transactions, within cash, cash equivalents and bank overdrafts, and hence have no impact on the Group's statutory cash flow.

A reconciliation of cash, cash equivalents and bank overdrafts at the end of the year per the consolidated statement of financial position to the corresponding balances included within the consolidated statement of cash flow is included in note 17.

15) Retirement benefit obligations

The Group's main defined benefit scheme is in the UK and accounts for approximately 63% (2018: 62%) of the total net deficit of all of the defined benefit schemes operated by the Group. The majority of the scheme was closed to future accrual in 2011. The Group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2019 recognised in the consolidated statement of financial position was £411m (2018: £364m) or £331m (2018: £302m) net of applicable tax in the relevant jurisdictions. The increase in the Group's net pension deficit compared with the position as at 31 December 2018 primarily reflects an increase in the net deficit of the UK pension scheme, together with a smaller increase in the deficits in the Group's unfunded pension schemes. In addition, pension deficits of £57m included within businesses in disposal groups held for sale (primarily reflecting the Netherlands Cash Solutions pension net deficit of £46m) were transferred to liabilities relating to disposal groups held for sale.

The increase in the UK scheme's pension liabilities reflects the decrease in discount rates to 2.0% (2018: 2.85%) used to compute the scheme obligations following a reduction in corporate bond rates offset by the payment of scheduled deficit repair contributions of £52m (2018: £41m) during the year.

The triennial valuation in respect of the UK scheme has concluded, as a result of which the Group has agreed to pay future deficit repair contributions in line with the previous schedule. The schedule sets the deficit repair payment for 2020 at £53m.

16) Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims £m	Onerous customer contracts[1] £m	Property and other[1,2] £m	Total £m
As reported	20	4	216	51	47	338
Impact of IFRS 16 – Leases[1]	-	-	-	(20)	(5)	(25)
At 1 January 2019 – restated[1]	20	4	216	31	42	313
Additional provisions in the year	7	24	40	5	16	92
Utilisation of provisions	(3)	(20)	(127)	(10)	(12)	(172)
Acquisition of a subsidiary	-	-	-	1	-	1
Transferred to held for sale	(1)	-	(3)	-	(3)	(7)
Transfers and reclassifications	(1)	(2)	1	-	-	(2)
Unused amounts reversed	(1)	(5)	(18)	(6)	(4)	(34)
Unwinding of discounts	-	-	2	-	-	2
Exchange differences	(2)	-	(5)	-	(1)	(8)
At 31 December 2019	19	1	106	21	38	185
Included in current liabilities						64
Included in non-current liabilities						121
						185

1 Restated for the effect of IFRS 16 – Leases, see note 3.
2 Property and other includes £14m (2018: £15m) of provisions for property-related dilapidation costs.

The Group recognised additional claims provisions of £40m including £20m related to the estimated cost of the settlement of claims managed through the Group's internal captive insurance companies. As described on page 10, the utilisation of claims provisions included the payment of £87m to settle the California class action claim, which led to the reversal of £18m of unused provisions. A further £9m was provided in respect of US labour related claims that were received subsequent to the settlement of the California Class Action Claim. Additional provisions of £24m were recorded in relation to restructuring costs related to the 2018-2020 strategic productivity programme announced in 2017 (see note 6).

16) Provisions and contingent liabilities (continued)

As discussed in note 3, the Group has restated its provisions for onerous contracts on adoption of IFRS 16 to remove expected future payments for leased assets. Such payments are now reflected in lease liabilities with the related right-of-use asset impaired to the extent that the associated benefits are outweighed by the lease outflows. The resulting onerous contract provision at 31 December 2019 relates primarily to anticipated losses in respect of two UK PFI contracts that are expected to run for between 8 and 19 years. The unused amounts reversed of £5m reflects the reduction in expected future losses in one of those contracts (see note 6). In addition, improved trading in respect of one of the contracts for which an onerous contract provision was removed on adoption of IFRS 16 has resulted in a further £9m credit being recognised within specific items.

The Group is involved in disputes in a number of countries mainly in respect of activities related to its operations. Currently there are a number of disputes open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. In addition, the interpretation of labour laws and regulations in a number of countries where the Group operates is complex and there is inherent judgment made when applying those laws and regulations that are open to interpretation. As such, there is risk that further disputes and claims from employees could arise in the future. Where there is a dispute or where there is a risk of a dispute or claims in the future and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group’s best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.

The Group is party to a number of ongoing litigation processes in relation to interpretation of local labour law and regulations in a number of countries, where it is expected that these matters will not be resolved in the near future. At this stage, the Group's view is that these cases will either be resolved in a manner favourable to the interests of the Group or, due to the nature and complexity of the cases, it is not possible to estimate the potential economic exposure. In addition, in the ordinary course of business, other contingent liabilities exist where the Group is subject to commercial claims and litigation from a range of parties in respect of contracts, agreements, regulatory and compliance matters, none of which is expected to have a material impact on the Group.

The investigation opened by the Serious Fraud Office (SFO) in 2013 in respect of the Group's Electronic Monitoring contract remains ongoing and the Group continues to engage and cooperate fully with the SFO. Based on currently available information, the Group is unable to make a reliable estimate of the financial effect of the range of possible outcomes from the on-going process, therefore no provision has been made in respect of it.

During 2019 the Group received a claim seeking damages for alleged losses following the reduction in the G4S share price in 2013. At this point, the Group is unable to make a reliable estimate of the merit, outcome or impact of any potential litigation relating to this claim therefore no provision has been made in respect of it.

The Group is currently involved in a number of claims in India, mainly related to periods prior to 2011, in relation to the interpretation of the basis for payments to the India Provident Fund. These disputes are currently awaiting court resolution. Based on the Group’s internal and external legal advice, and taking into account the judgment passed by the Supreme Court of India in respect of a different Provident Fund related question on 28 February 2019, the Group believes it has a strong legal position that will prevail in the courts such that no economic outflow is expected to occur and hence no provision has been booked as at year end. The aggregate of the Provident Fund related claims amount to approximately £50m.

Judgment is required in quantifying the Group's provisions, especially in connection with claims and onerous customer contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different from the amount provided. Each of the provisions reflects the Group's best estimate of the probable exposure at 31 December 2019 and this assessment has been made having considered the sensitivity of each provision to reasonably possible changes in key assumptions. Subject to the potential outcome of the ongoing SFO investigation, the Group is satisfied that it is unlikely that changes in these key assumptions will have a material impact on the Group's overall provisioning position in the next 12 months.

17) Analysis of net debt

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

	2019 **£m**	2018 Restated[1] £m
Cash and cash equivalents	**745**	1,015
Receivables from customers in respect of cash processing operations[2]	**1**	6
Bank overdrafts	**(367)**	(305)
Liabilities to customers in respect of cash processing operations[3]	**(19)**	(43)
Net cash and bank overdrafts included within net assets of disposal groups held for sale	**159**	-
Total Group cash, cash equivalents and bank overdrafts	**519**	673
Investments	**69**	65
Bank loans	**(555)**	(312)
Loan notes	**(1,712)**	(1,997)
Lease liabilities	**(310)**	(486)
Fair value of loan note derivative financial instruments	**(24)**	33
Net debt (excluding cash and overdrafts) included within net assets of disposal groups held for sale	**(79)**	-
Total net debt	**(2,092)**	(2,024)

[1] Restated for the effect of IFRS 16 – Leases, see note 3.
[2] Included within trade and other receivables
[3] Included within trade and other payables

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

	2019 **£m**	2018 Restated[1] £m
Operating profit	**145**	277
Adjustments for non-cash and other items:		
Goodwill impairment	**291**	-
Amortisation of acquisition-related intangible assets	**6**	4
Loss on disposal/closure of subsidiaries/businesses	**7**	15
Depreciation of property, plant and equipment	**204**	231
Amortisation of non-acquisition-related intangible assets	**22**	20
Share of profit from joint ventures	**(5)**	(7)
Remeasurement of leased right of use assets	**-**	(1)
Impairment of leased right of use assets	**1**	-
Net exchange loss on intercompany trading balances	**3**	-
Equity-settled share-based payments	**3**	8
(Decrease)/increase in provisions	**(107)**	156
Additional pension contributions	**(52)**	(41)
Operating cash flow before movements in working capital	**518**	662
Increase in inventories	**(8)**	(10)
Increase in receivables	**(28)**	(31)
Increase/(decrease) in payables	**22**	(36)
Net cash flow from operating activities before tax	**504**	585

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

19) Fair value of financial instruments

The Group's financial instruments with carrying amounts significantly different to their fair values are shown below. For all other financial instruments, the carrying value is not considered to be materially different to the fair value.

	Level[1]	**2019 Carrying amount £m**	**2019 Fair value £m**	2018 Carrying amount £m	2018 Fair value £m
Loan notes carried at amortised cost					
Public loan notes	1	**1,308**	**1,343**	1,735	1,729
Private loan notes	2	**404**	**414**	262	267

The carrying amounts and fair values of the Group's derivative financial instruments indicating those which are designated as hedging instruments are shown below:

	Hedge relationship	Level[1]	**2019 £m**	2018 £m
Derivative assets carried at fair value				
Interest-rate swaps	Fair value hedge	2	**8**	9
Cross-currency swaps	Cash flow hedge	2	**-**	35
Derivative liabilities carried at fair value				
Interest-rate swaps	Not in a hedging relationship	2	**-**	(1)
Cross-currency swaps	Cash flow hedge	2	**(32)**	-
Cross-currency swaps	Net investment hedge	2	**-**	(10)

[1] Fair value hierarchy level, as defined by IFRS 13 - Fair value measurements. Level 1 - i.e. using unadjusted quoted prices in active markets for identical financial instruments. Level 2 - i.e. using inputs other than quoted prices in active markets that are observable for the asset and liability, either directly or indirectly.

The Group's investments of £69m (2018: £65m) are stated at fair value determined primarily using Level 1[1] inputs. The fair values of financial instruments that are measured using techniques consistent with Level 2[1] of the valuation hierarchy are calculated using discounted cash flow models. The relevant currency-yield curve is used to forecast the floating-rate cash flows anticipated under the instrument, which are discounted back to the balance sheet date.

20) Post balance sheet events

On 26 February 2020 the Group agreed to sell a number of its conventional cash businesses that were classified as held for sale as at 31 December 2019 to Brink's, and will receive net cash consideration of approximately £670m. This transaction will take place pursuant to a number of individual transaction agreements and is expected materially to complete on a phased timeframe during 2020. Further details of the transaction are provided on page 7.

Alternative Performance Measures

BASIS OF PREPARATION

The Group applies the basis of preparation for its statutory results shown on page 23. To provide additional information and analysis which enables a full understanding of the Group's results and to identify easily the performance of the Group's ongoing businesses, the Group also makes use of a number of Alternative Performance Measures (APMs) in the management of its operations and as a key component of its internal and external reporting. Those APMs are prepared and presented in accordance with the following basis of preparation.

Whilst broadly consistent with the treatment adopted by both the Group's business sector peers and by other businesses outside of the Group's business sector, these APMs are not necessarily directly comparable with those used by other companies.

Adjusted results

In order to allow a full understanding of its results, the Group separately discloses the effects on profit of strategic restructuring activities, costs of major corporate restructuring, acquisition related amortisation, goodwill impairments and profits or losses arising on the acquisition or disposal of businesses (together, "*separately disclosed items*"). The Group also discloses separately those items that the Group believes need to be shown separately to allow a more fulsome understanding of the results for the year because of their size, nature or incidence ("s*pecific items*"). For the year ended 31 December 2018 the Group also disclosed the impact of the California class action settlement and the impact of the guaranteed minimum pension equalisation.

Adjusted measures of profit and earnings are stated before the effects of separately disclosed and specific items; the related tax effects; and tax-specific charges or credits which have a material impact such as those arising from changes in tax legislation. Adjusted measures of profit are provided to allow the trading results of the Group to be assessed separately from the effects of corporate actions (such as acquisitions, disposals and strategic restructuring) and the effects of significant or unusual items.

A reconciliation of Adjusted PBITA to operating profit is provided on page 12.

Underlying results

To provide a better indication of the performance of the Group's ongoing business for the year, the Group separately presents its underlying results. Underlying results are defined as the adjusted results of the Group (i.e. stated before the effect of specific and separately disclosed items) excluding the results of onerous contracts and businesses that have been sold or closed in the current and comparative years. Underlying results therefore exclude the results of businesses that were classified as discontinued in prior periods but include the results of the businesses subject to the conventional cash disposal, providing a clearer indication of the performance of the businesses that are controlled by the Group at 31 December 2019, and consistent with the way that the Chief Operating Decision Maker has reviewed the performance of the Group during the year.

Underlying results for the comparative year are re-presented to remove the effect of businesses disposed of or closed in the current year to enable a like-for-like comparison of the results of the Group's on-going activities at the end of the most recent reporting year.

A reconciliation of the underlying results to the statutory results is included on page 3.

Constant currency results

In order to allow readers to assess the performance of the Group's business before the effect of foreign exchange movements, the Group also presents its comparative results (excluding cash flows) retranslated to sterling using the average rates for the current year. Cash flows are not retranslated but are presented at historical exchange rates. Comparative results for hyperinflationary economies are translated at current year closing exchange rates when presenting constant currency results. For both 2019 and 2018 the only hyperinflationary economy in which the Group operated was Argentina.

A reconciliation of the constant currency results for the year to the statutory results is included on page 44.

Business reporting structure

In line with its strategy for managing the business, the Group reports separately the underlying results of its Cash Solutions and Secure Solutions businesses. The results for the Secure Solutions business are further divided geographically into the following regions:

- Africa;
- Americas;
- Asia; and
- Europe & Middle East.

The Group reports separately the results of onerous contracts and the results of its disposed businesses, being those that have been sold in the current or prior years.

These components, together with the impact of restructuring costs, specific items and other separately disclosed items constitute "continuing operations". Discontinued operations, in accordance with IFRS 5, represent areas of the business which are being managed for sale or closure but which represent separate major lines of business. The Group has not classified any operations as discontinued in any of the periods presented. All amounts recorded as discontinued relate to businesses sold prior to 1 January 2017.

Alternative Performance Measures

Financial performance indicators

The key financial measures used by the Group in measuring progress against strategic objectives are set out below, and are reconciled for the current and prior year to the Group's statutory results on pages 3 and 44:

- **Revenue**

  Statutory revenue arising in each of the underlying, onerous contracts and disposed business components. *Underlying revenue is a Key Performance Indicator ("KPI")*.

- **Organic revenue growth**

  Organic revenue growth is calculated based on revenue growth at constant currency, adjusted to exclude the impact of any acquisitions during the current or prior years.

- **Adjusted profit before interest, tax and amortisation ("Adjusted PBITA")**

  The Group uses Adjusted PBITA as a consistent internal and external reporting measure of its performance, as management views it as being more representative of financial performance from the normal course of business and more comparable year to year. Adjusted PBITA excludes the effect of separately disclosed items (being restructuring and separation costs, goodwill impairment, amortisation of acquisition-related intangible assets and profits or losses on disposal or closure of businesses) and specific items, which the Group believes should be disclosed separately by virtue of their size, nature or incidence, as explained on page 23. Further details explaining the reasons for excluding these items are provided on pages 41 and 42 of the Group's 2018 Integrated Report and Accounts. *Underlying Adjusted PBITA is a KPI.*

- **Operating cash flow**

  Net cash flow from operating activities before tax. *Underlying operating cash flow excludes restructuring and separation spend and is a KPI.*

- **Operating cash flow conversion**

  Operating cash flow presented as a percentage of Adjusted PBITA.

- **Earnings**

  Profit attributable to equity shareholders of G4S plc. *Underlying earnings is a KPI.*

- **Earnings per share ("EPS")**

  Profit attributable to equity shareholders of G4S plc, per share, from continuing operations. *Underlying EPS is a KPI*.

- **Net debt to adjusted EBITDA**

  The ratio of total net debt, including net debt reported within net assets of disposal groups held for sale, to adjusted earnings attributable to equity shareholders before interest, tax, depreciation and amortisation ("Adjusted EBITDA"). This ratio is a factor in the board's assessment of the financial strength of the Group, and forms the basis of a key measure of compliance with covenants in respect of the Group's borrowing facilities.

Certain of these financial performance indicators in respect of underlying results also form the basis of a significant element of performance measurement used in the determination of performance-related remuneration and incentives, as described on page 42 of the Group's 2018 Integrated Report and Accounts.

Alternative Performance Measures

A. Reconciliation of operating profit to movements in net debt

	2019 £m	2018 Restated[1] £m
Operating profit	**145**	277
Adjustments for non-cash and other items (see note 18)	**373**	385
Net working capital movement (see note 18)	**(14)**	(77)
Net cash flow from operating activities before tax (see note 18)	**504**	585
Adjustments for:		
Restructuring and separation spend	**47**	26
California class action settlement	**87**	-
Cash flow from continuing operations	**638**	611
Analysed between:		
Underlying operating cash flow	**633**	582
Disposed businesses	**-**	(1)
Onerous contracts	**5**	30
Investment in the business		
Purchase of fixed assets, net of disposals	**(110)**	(102)
New leases	**(78)**	(125)
Restructuring and separation spend	**(47)**	(26)
Disposal/closure of subsidiaries/businesses (see note 8)	**12**	45
Acquisition of subsidiaries	**(4)**	(4)
Net debt in disposed businesses	**3**	(21)
Net investment in the business	**(224)**	(233)
Net cash flow after investing in the business	**414**	378
Other uses of funds		
Net interest paid	**(122)**	(124)
Tax paid	**(90)**	(98)
Dividends paid	**(172)**	(170)
Purchase of own shares	**(11)**	(11)
Transactions with non-controlling interests	**(14)**	(1)
California class action settlement	**(87)**	-
Other	**4**	7
Net other uses of funds	**(492)**	(397)
Net increase in net debt before foreign exchange movements	**(78)**	(19)
Net debt at the beginning of the year	**(2,024)**	(1,965)
Effect of foreign exchange rate fluctuations	**10**	(40)
Net debt at the end of the year	**(2,092)**	(2,024)

[1] Restated for the adoption of IFRS16 – Leases, see note 3.

Alternative Performance Measures

B. Reconciliation of changes in cash, cash equivalents and bank overdrafts to movement in net debt

	2019 £m	2018 Restated[1] £m
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (page 22)	**(101)**	58
Adjustments for items included in cash flow excluded from net debt:		
Sale of investments	**6**	-
Net movement in borrowings	**(66)**	(107)
Repayment of lease obligations	**157**	165
Items included in net debt but excluded from cash flow:		
Net debt (excluding cash, cash equivalents and bank overdrafts) of disposed/acquired entities	**4**	(10)
New leases	**(78)**	(125)
Net increase in net debt before foreign exchange movements	**(78)**	(19)

[1] Restated for the adoption of IFRS16 – Leases, see note 3.

C. Group net debt to Adjusted EBITDA ratio

	2019 £m	2018 Restated[1] £m
Adjusted PBITA (page 18)	**501**	483
Add back:		
Depreciation	**204**	231
Amortisation of non-acquisition-related intangible assets	**22**	20
Adjusted EBITDA	**727**	734
Exclude EBITDA relating to businesses sold or closed in the year	**-**	3
Adjusted EBITDA excluding businesses sold or closed in the year	**727**	737
Net debt per note 17	**2,092**	2,024
Net debt to Adjusted EBITDA ratio	**2.88**	2.75

[1] Restated for the adoption of IFRS16 – Leases, see note 3.

D. Reconciliation of quarterly year-on-year underlying organic revenue growth[1]

Underlying results	2019 Organic Revenue Growth Q1	Q2	Q2 YTD	Q3	Q4	Q4 YTD
Secure Solutions	4.5%	4.4%	4.4%	4.3%	4.5%	4.4%
Cash Solutions (total)	3.5%	1.5%	2.3%	4.1%	3.0%	2.9%
Cash Solutions (ex cash technology[3])	(1.3%)	(3.9%)	(2.6%)	1.1%	0.3%	(1.0%)
Total Group	**4.4%**	**3.9%**	**4.1%**	**4.2%**	**4.3%**	**4.2%**

Underlying results	2018 Organic Revenue Growth (restated[2]) Q1	Q2	Q2 YTD	Q3	Q4	Q4 YTD
Secure Solutions	2.2%	3.9%	3.1%	2.6%	2.9%	2.9%
Cash Solutions (total)	(25.0%)	(3.9%)	(15.4%)	3.5%	(8.6%)	(9.5%)
Cash Solutions (ex cash technology[3])	(2.3%)	1.6%	(0.2%)	(2.0%)	1.6%	(0.2%)
Total Group	**(2.8%)**	**2.7%**	**(0.1%)**	**2.7%**	**1.1%**	**1.0%**

[1] Organic revenue growth has been calculated by adjusting underlying constant currency revenue growth to remove the effect of acquisitions in the current and prior years. In computing organic revenue growth, 2019 revenue has been adjusted by £10m to reflect the acquisition of a small Cash Solutions business in the Netherlands during the year. Revenue in 2018 has been adjusted by £23m to reflect the consolidation of a business that was first consolidated in 2018 following the renegotiation of its shareholder agreement.

[2] Restated for the adoption of IFRS16 – Leases, see note 3.

[3] Cash technology includes the Group's Retail Cash Solutions businesses in North America and the Group's Cash Solutions business in South Africa.

Alternative Performance Measures

E. Reconciliation of statutory results by segment to underlying results by segment

	Statutory results total operations	Onerous contracts	Disposed businesses	Underlying results at actual rates	Exchange differences	Underlying results at constant rates
Revenue by reportable segment (£m)						
Year ended 31 December 2019						
Africa	425	-	-	425	-	425
Americas	2,703	-	-	2,703	-	2,703
Asia	940	-	-	940	-	940
Europe & Middle East	2,590	(86)	-	2,504	-	2,504
Cash Solutions	1,100	-	-	1,100	-	1,100
Total Group revenue	**7,758**	**(86)**	**-**	**7,672**	**-**	**7,672**
Year ended 31 December 2018						
Africa	406	-	(1)	405	(5)	400
Americas	2,443	-	-	2,443	41	2,484
Asia	882	-	(1)	881	19	900
Europe & Middle East	2,644	(122)	(32)	2,490	4	2,494
Cash Solutions	1,130	-	(78)	1,052	-	1,052
Total Group revenue	**7,505**	**(122)**	**(112)**	**7,271**	**59**	**7,330**
Adjusted PBITA by reportable segment (£m)						
Year ended 31 December 2019						
Africa	30	-	-	30	-	30
Americas	136	-	-	136	-	136
Asia	70	-	-	70	-	70
Europe & Middle East	179	-	-	179	-	179
Cash Solutions	134	-	-	134	-	134
Adjusted PBITA before corporate costs	**549**	**-**	**-**	**549**	**-**	**549**
Corporate costs	(48)	-	-	(48)	-	(48)
Total Group Adjusted PBITA	**501**	**-**	**-**	**501**	**-**	**501**
Year ended 31 December 2018						
Africa	33	-	1	34	(2)	32
Americas	131	-	2	133	3	136
Asia	65	-	-	65	2	67
Europe & Middle East	183	4	(2)	185	2	187
Cash Solutions	121	-	7	128	1	129
Adjusted PBITA before corporate costs	**533**	**4**	**8**	**545**	**6**	**551**
Corporate costs	(50)	-	-	(50)	-	(50)
Total Group Adjusted PBITA	**483**	**4**	**8**	**495**	**6**	**501**

Alternative Performance Measures

F. Reconciliation of underlying prior year results by segment

	Underlying as previously reported	Movements in onerous contracts[1]	Movements in disposed businesses[2]	Restatement for IFRS 16[3]	Underlying results at actual rates - restated[5]	Exchange differences[4]	Underlying results at constant rates - restated[5]
Revenue by reportable segment (£m)							
Year ended 31 December 2018							
Africa	405	-	-	-	405	(5)	400
Americas	2,443	-	-	-	2,443	41	2,484
Asia	881	-	-	-	881	19	900
Europe & Middle East	2,501	(4)	(7)	-	2,490	4	2,494
Cash Solutions	1,059	-	-	(7)	1,052	-	1,052
Total Group revenue	**7,289**	**(4)**	**(7)**	**(7)**	**7,271**	**59**	**7,330**
Adjusted PBITA by reportable segment (£m)							
Year ended 31 December 2018							
Africa	32	-	-	2	34	(2)	32
Americas	129	-	-	4	133	3	136
Asia	63	-	-	2	65	2	67
Europe & Middle East	179	-	(1)	7	185	2	187
Cash Solutions	121	-	-	7	128	1	129
Adjusted PBITA before corporate costs	**524**	**-**	**(1)**	**22**	**545**	**6**	**551**
Corporate costs	(50)	-	-	-	(50)	-	(50)
Total Group Adjusted PBITA	**474**	**-**	**(1)**	**22**	**495**	**6**	**501**
Other financial KPIs (£m)							
Year ended 31 December 2018							
Profit before tax	365	-	(1)	(1)	363	4	367
Profit after tax	272	-	(1)	-	271	3	274
Earnings	259	-	(1)	-	258	3	261
Earnings per share - p	16.7	-	(0.1)	0.1	16.7	0.2	16.9
Operating cash flow	453	-	(2)	131	582	-	582

[1] During 2019, one UK government contract became onerous and has therefore been re-classified from underlying results to onerous contracts, and prior year comparatives have been re-presented to reflect this.

[2] To present results on a consistent and comparable basis, the results from any businesses sold or closed in either the current or prior years are excluded from the underlying results in both the current and prior years. These include the archiving business in Kenya, the Group's businesses in Hungary and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia that were sold in 2018, and a parking management business in Estonia in 2019.

[3] With effect from 1 January 2018 the Group has adopted IFRS 16 – Leases, as explained in note 3 which has resulted in certain 2018 income statement line items being restated.

[4] The results for the year ended 31 December 2018 were presented at average exchange rates for the year ended 31 December 2018 as described on page 40. The comparative results have been re-presented at average exchange rates for the year ended 31 December 2019.

[5] Underlying results are an APM and are explained on page 40 and reconciled to the Group's statutory results on page 44.

Supplementary information

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High resolution images and b-roll are available to download from the G4S media library, available through the results centre at www.g4s.com.

Notes to Editors:
G4S is the leading global security company, specialising in the provision of security services and solutions to customers. Our mission is to create material, sustainable value for our customers and shareholders by being the supply partner of choice in all our markets.

G4S is quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S is active in around 90 countries and has more than 550,000 employees. For more information on G4S, visit www.g4s.com.

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/707-803-23119/en

Please note that there will also be a telephone dial-in facility for this event, the details are as follows:

International Access: +44 20 3936 2999
United Kingdom: 0800 640 6441
Denmark: 80 82 00 35
United States: +1 855 9796 654

Access code: 066161

Dividend payment information
2019 final dividend:

Announcement – 11 March 2020
Ex-dividend date – 30 April 2020
Last day to elect for DKK – 30 April 2020
Record date – 1 May 2020
Last day for DRIP elections – 21 May 2020
Post (1st class) – 11 June 2020
Pay date – 12 June 2020

Financial Calendar

May Q1 Trading update
15 May AGM
August H1 2020 results
November 2020 – Q3 2020 Trading update