Securing Your World

G4S 2014 full year results

Investing in sustainable, profitable growth

G4S Chief Executive Officer Ashley Almanza said, "The group made good progress with its strategic plan, delivering commercial, operational and financial progress during 2014. This is reflected in a 7.9% increase in underlying PBITA and a 11.7% increase in underlying earnings and a 25% increase in cash flow from the group's operating businesses. The group's progress and prospects are reflected in the board's recommendation to increase the final dividend by 5%. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015."

Financial highlights on an underlying basis:

- New contract sales achieved a total value of £2.1 billion (annual value £1.14 billion) and contract retention rates remained at approximately 90%. Sales pipeline replenished to stand at £5.5 billion annual contract value.

- Revenue from continuing operations of £6,750 million up 3.9%
  - Emerging markets revenues up 8.9% to £2,398 million
  - North America up 6.9%; UK and Europe down 1%

- PBITA increased by 7.9% to £424 million (2013: £393 million)
  - Emerging markets up 10.3% to £192 million
  - Developed markets up 12.3% to £292 million

- Earnings of £210 million (2013: £188 million), up 11.7%

- Cash from the group's operating businesses was £526 million (2013: £420 million) up 25%. Total cash flow from continuing operations was £553 million (2013: £496 million)

- Specific items include:
  - £45 million increase in provisions for legacy UK Government contracts
  - Restructuring charge of £29 million
  - Profit on disposal from discontinued operations of £71 million

- Net debt at 31 December 2014 was £1,578 million (2013: £1,552 million)

- Final dividend recommended to be increased by 5% to 5.82p/share (DKK 0.6041)

	12 months ended 31 December			
	Underlying Results[a]		Total Results	
	2014	2013[b]	2014	2013[b]
Revenue	**£6,750m**	£6,496m	**£6,848m**	£6,615m
PBITA	**£424m**	£393m	**£329m**	£23m
Earnings	**£210m**	£188m	**£152m**	£(359)m
EPS	**13.6p**	12.9p	**9.8p**	(24.7)p

[a] To clearly present underlying performance, specific items have been disclosed separately. For basis of preparation and an analysis of specific items see page 10.

[b] 2013 results are shown at constant exchange rates and have been restated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio management programme - see page 5 for details.

Ashley Almanza, Group Chief Executive Officer, commented:

"The group made good progress with its strategic plan, delivering commercial, operational and financial progress during 2014. This is reflected in a 7.9% increase in underlying PBITA, a 11.7% increase in underlying earnings and a 25% increase in cash flow from the group's operating businesses. The group's progress and prospects are reflected in the Board's recommendation to increase the final dividend by 5%. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015."

Demand for our services was strong, in emerging markets (up 8.9%) and North America (up 6.9%). As expected revenues contracted by 1% in UK & Ireland and in Europe, reflecting the impact of sales contract rationalisation and the previously announced terminations of the Electronic Monitoring contract (UK) and the Dutch Prisons contract.

Underlying PBITA (Profit before interest, tax and amortisation) of £424 million was 7.9% higher than 2013, which reflects revenue growth and improved operational gearing, as we begin to capture benefits from the implementation of our restructuring and productivity programmes.

With our increased focus on cash management, cash flow from operating businesses was £526 million, a 25% improvement on the same period last year. Total cash generated by continuing operations, including one off corporate items, was £553 million (2013: £496 million).

The board is recommending an increase in the final dividend of 5% to 5.82p per share (DKK 0.6041), bringing the total dividend for the full year to 9.24p per share, a 3.1% increase.

The group made good progress with the new strategic plan which we put in place in 2013:

Organic growth: We won new work with an annual contract value of over £1.14 billion and total contract value of £2.1 billion whilst, at the same time, replenishing our pipeline which now stands at an annual value of £5.5 billion. The group's retention rate for existing contracts remains at around 90% of annual revenues.

We continue to identify opportunities to sell additional services and products, including systems and technology, in our key markets and, in line with our previously announced plans, we have invested an annualised £20 million to strengthen sales and business development capability. We are progressively embedding a consistent approach to sales operations, sales performance measurement, strategic account management and customer service management.

Productivity: We are improving our productivity through the successful execution of restructuring and Accelerated Best Practice programmes and this progress is reflected in the group's commercial, operational and financial performance for 2014. These programmes are gathering momentum following the appointment of key management and subject matter experts to focus on direct labour efficiency, organisational efficiency, route planning and telematics, IT standardisation, procurement and shared services. Our major restructuring programmes to strengthen the competitiveness and profitability of a number of key businesses, principally in the UK, Ireland and Europe, are being implemented in line with the detailed plans which were developed in 2013.

Portfolio and performance management: Portfolio management remains important for strategic focus, capital discipline and performance management. The group now operates in over 110 countries. We have divested eight businesses at attractive exit multiples over the past 18 months for £248 million, including our US Government solutions business and a further 20 are being sold or ceased.

People and values: We made very good progress with our plans to strengthen our global management team, establishing and filling numerous new positions and appointing new managers to key existing positions. In our global leadership cadre of 220 we have appointed 114 senior managers to new roles in the past 18 months. We also made good progress with the implementation of our corporate renewal programme which aims to reinforce our group values in everything we do.

Financial and Risk Management: During 2014 we continued to invest in strengthening our financial management, risk and audit and contract management capability. In relation to contract management we have established processes to ensure that we properly assess the risk-reward balance of new contracts and to ensure that we have the capability and capacity to effectively mobilise and deliver service excellence on new contracts.

Outlook

Our strategic plan addresses a positive, long term demand outlook for our core services and seeks to deliver sustainable, profitable growth. We are making good progress with the implementation of our strategic plan and this was clearly reflected in the group's commercial, operational and financial performance in 2014. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015.

Summary income statement – unaudited

For the year ended 31 December 2014

	Underlying results[a] 2014 £m	Specific items[a] Other specific items 2014 £m	Specific items[a] Acquisition related charges 2014 £m	Total 2014 £m
Revenue	**6,750**	**98**	**-**	**6,848**
PBITA before restructuring costs	**424**	**(66)**	**-**	**358**
Restructuring costs	-	(29)	-	(29)
PBITA	**424**	**(95)**	**-**	**329**
Amortisation	-	-	(58)	(58)
Acquisition-related expenses	-	-	(1)	(1)
PBIT	**424**	**(95)**	**(59)**	**270**
Interest	(120)	(2)	-	(122)
PBT	**304**	**(97)**	**(59)**	**148**
Tax	(76)	21	13	(42)
PAT	**228**	**(76)**	**(46)**	**106**
Discontinued operations	-	63	-	63
Profit/(loss) for the year	**228**	**(13)**	**(46)**	**169**
Non-controlling interests	(18)	1	-	(17)
Profit/(loss) attributable to equity holders of the parent	**210**	**(12)**	**(46)**	**152**
Earnings per share: Basic and diluted	**13.6p**			**9.8p**

For the year ended 31 December 2013

Restated[b]	Underlying results[a] 2013[b] £m	Specific items[a] Other specific items 2013 £m	Specific items[a] Acquisition related charges 2013 £m	Total 2013[b] £m
Revenue	6,496	119	-	6,615
PBITA before restructuring costs	393	(307)	-	86
Restructuring costs	-	(63)	-	(63)
PBITA	393	(370)	-	23
Amortisation	-	-	(69)	(69)
Goodwill impairment	-	-	(41)	(41)
Acquisition-related expenses	-	-	(4)	(4)
Profit on disposal of subsidiaries	-	24	-	24
PBIT	393	(346)	(114)	(67)
Interest	(122)	(1)	-	(123)
PBT	271	(347)	(114)	(190)
Tax	(68)	-	21	(47)
PAT	203	(347)	(93)	(237)
Discontinued operations	-	(114)	-	(114)
Profit/(loss) for the year	203	(461)	(93)	(351)
Non-controlling interests	(15)	7	-	(8)
Profit/(loss) attributable to equity holders of the parent	188	(454)	(93)	(359)
Earnings per share: Basic and diluted	12.9p			(24.7)p

[a] To clearly present underlying performance, specific items have been disclosed separately. For basis of preparation and an analysis of specific items see page 10.
[b] 2013 results are shown at constant exchange rates and have been restated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio management programme - see page 5 for details.

Summary statement of cash flows - unaudited

For the year ended 31 December 2014

A reconciliation of profit/(loss) to movement in net debt is presented below, with 2014 presented at the actual rates in the year and the prior year presented at 2013 exchange rates:

	2014 £m	2013 £m
Profit/(loss) retained for the year	**152**	(365)
Adjustments for non-cash and other items (page 17)	**196**	789
Net cash flow from operating activities of continuing operations	**348**	424
Adjustments to exclude:		
Pension deficit payments	**42**	38
Electronic Monitoring payments (including fees)	**116**	-
Restructuring investment	**47**	34
Corporate items (see below)	**(27)**	(76)
Cash flow from operating businesses	**526**	420
Corporate items:		
Electronic Monitoring contracts receivable (2013: Olympics receivable)	**27**	76
Cash flow from continuing operations	**553**	496
Cash from discontinued operations	**(12)**	31
Net cash generated by operations	**541**	527
Investment in the business		
Purchase of fixed assets, net of disposals	**(122)**	(167)
Restructuring investment	**(47)**	(34)
Acquisitions of businesses	**(3)**	(23)
Disposal proceeds and debt settled in disposed entities	**159**	35
Net debt in disposed entities	**(12)**	(12)
Net movement in finance leases	**(9)**	(12)
Net investment in the business	**(34)**	(213)
Net cash flow after investing in the business	**507**	314
Other (uses)/sources of funds		
Net interest paid	**(114)**	(108)
Tax paid	**(81)**	(83)
Pensions deficit payment	**(42)**	(38)
Dividends paid	**(149)**	(151)
Electronic Monitoring (including fees)	**(116)**	-
Share capital	**-**	343
Other[a]	**(23)**	18
Net other uses of funds	**(525)**	(19)
Net cash flow after investment, financing and tax	**(18)**	295
Net debt at beginning of year	**(1,552)**	(1,829)
FX	**(8)**	(18)
Net debt at end of year	**(1,578)**	(1,552)

[a] Includes £22m of outflows related to movements in customer cash balances (2013: £22m inflows), £10m of cash outflows related to transactions with non-controlling interests (2013: £2m outflows) and £9m of cash inflows from equity accounted investments (2013: £2m outflows).

Reconciliation of consolidated income statement to summary income statement

The table below reconciles revenue and PBITA as originally presented in the prior year consolidated income statement to the results presented in the current year consolidated income statement.

	2013 Revenue £m	2013 PBITA £m
Statutory results as reported	**7,428**	**442**
Effect of discontinued operations		
Latin America	(24)	(1)
Europe	(121)	(3)
Total	(145)	(4)
Effect of adoption of IFRS10 and IFRS11[a]		
Africa	(4)	-
Asia Middle East	(179)	(22)
Europe	(1)	-
UK & Ireland	(38)	(2)
Corporate costs	-	3
Total	(222)	(21)
Restated statutory results	**7,061**	**417**
Exchange differences		
Africa	(56)	(4)
Asia Middle East	(108)	(10)
Latin America	(100)	(7)
Europe	(93)	(5)
North America	(82)	(3)
UK & Ireland	(7)	-
Total	(446)	(29)
Restated statutory results at constant exchange rates	**6,615**	**388**
Portfolio businesses and joint ventures		
Asia Middle East	(72)	5
Latin America	(23)	(2)
Europe	(24)	(1)
UK & Ireland	-	3
Total	(119)	5
Restated results at constant exchange rates as reported in the summary income statement	**6,496**	**393**

[a] For full details of the impact of IFRS10 and IFRS11 see note 12.

UNDERLYING REGIONAL AND GROUP PERFORMANCE

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

TOTAL REGIONAL AND GROUP PERFORMANCE

The group's segmental analysis of statutory results is presented below. For a reconciliation of the 2013 results to the underlying results please see page 5. The total group results at actual exchange rates are consistent with the statutory segmental analysis shown in note 2.

At constant exchange rates	**Revenue 2014 £m**	Revenue 2013 £m	YoY %	**PBITA 2014 £m**	PBITA 2013 £m	YoY %	**Organic growth**
Africa	**485**	440	10.2%	**46**	36	27.8%	**10.1%**
Asia Middle East	**1,327**	1,264	5.0%	**101**	98	3.1%	**5.2%**
Latin America	**663**	593	11.8%	**38**	37	2.7%	**11.8%**
Emerging Markets	**2,475**	2,297	7.7%	**185**	171	8.2%	**7.8%**
Europe	**1,421**	1,433	(0.8%)	**84**	83	1.2%	**(0.8%)**
North America	**1,365**	1,277	6.9%	**75**	56	33.9%	**6.9%**
UK & Ireland	**1,587**	1,608	(1.3%)	**130**	119	9.2%	**(1.4%)**
Developed Markets	**4,373**	4,318	1.3%	**289**	258	12.0%	**1.2%**
Total Group before corporate costs	**6,848**	6,615	3.5%	**474**	429	10.5%	**3.5%**
Corporate costs				**(60)**	(41)	46.3%	
Total Group at constant exchange rates	**6,848**	6,615	3.5%	**414**	388	6.7%	**3.5%**
FX	**-**	446		**-**	29		
Total Group at actual exchange rates	**6,848**	7,061	(3.0%)	**414**	417	(0.7%)	

UNDERLYING OPERATING PERFORMANCE BY REGION

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

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

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

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

	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
ASIA MIDDLE EAST	**1,260**	1,192	5.7%	**107**	103	3.9%

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

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

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

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

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

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

	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
LATIN AMERICA	**653**	570	14.6%	**39**	35	11.4%

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

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

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

	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
EUROPE	**1,400**	1,409	(0.6)%	**85**	82	3.7%

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

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

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

	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
NORTH AMERICA	**1,365**	1,277	6.9%	**75**	56	33.9%

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

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

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

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

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

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

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

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

	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
UK & IRELAND	**1,587**	1,608	(1.3)%	**132**	122	8.2%

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

Revenue declined 1% and PBITA was 8% higher than the prior year with improved performance in the UK cash solutions business being partially offset by the ending of the Ministry of Justice Electronic Monitoring contract in March 2014.

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

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

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

UNDERLYING SERVICE LINE OPERATING REVIEW

Secure Solutions	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
Emerging Markets	**1,951**	1,782	9.5%	**136**	122	11.5%
Developed Markets	**3,728**	3,651	2.1%	**227**	206	10.2%
Total	**5,679**	5,433	4.5%	**363**	328	10.7%

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

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

Cash Solutions	Revenue 2014 £m	Revenue 2013 £m	YoY %	PBITA 2014 £m	PBITA 2013 £m	YoY %
Emerging Markets	**447**	420	6.4%	**56**	52	7.7%
Developed Markets	**624**	643	(3.0)%	**65**	54	20.4%
Total	**1,071**	1,063	0.8%	**121**	106	14.2%

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

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

GROUP COMMENTARY – CONTINUING OPERATIONS

Basis of preparation

To clearly present the underlying results of the group, PBITA represents the underlying continuing profit before interest, tax and amortisation of the group, excluding the interest and tax from joint ventures and the profits and losses of smaller portfolio businesses being sold or ceased, in line with the group's strategy. Specific items have been disclosed separately. The prior year income statement comparative information is shown at constant exchange rates in pages 1 to 12, unless otherwise stated. The statutory results of the group at actual exchange rates are set out on pages 13 to 27.

Specific items are those that in management's judgment need to be disclosed separately by virtue of their size, nature or incidence. Specific items also include provisions for onerous contracts, non-recurring restructuring costs and remeasurement of certain assets and liabilities, and the profit and losses from smaller portfolio businesses.

Revenue and PBITA

	2014 £m	2013 £m
Revenue	**6,750**	6,496
PBITA	**424**	393
PBITA margin (%)	*6.3%*	*6.0%*

Revenue was £6,750 million, an increase of 3.9% on 2013. Organic growth was impacted by the loss of three significant contracts in the UK, Netherlands and Australia.

Emerging markets grew 8.9% year on year and, with revenues of £2.4 billion, now represent 36% of group revenue (2013: 34%). Developed markets revenues were 1.4% higher than the prior year, with growth in North America of 6.9% offset by a small decline in Europe of 0.6%. As expected, UK & Ireland revenues declined by 1.3% as the Electronic Monitoring contract ended in Q1 2014 and due to contract rationalisation.

PBITA of £424 million up 7.9% (2013: £393 million) represents the ongoing operations of the group. PBITA margin increased to 6.3% (2013: 6.0%) benefitting from the progress on our Accelerated Best Practice programmes on direct labour efficiency, route planning and telematics, focus on organisational efficiency and included the investment of £20 million annualised we made in sales and business development capability. Corporate costs reflect the investment in financial control risk management, procurement and IT capability, together with an increase in non-cash items, resulting in a £12 million increase principally related to pensions and LTIPs.

2013 PBITA has been restated to adjust for discontinued operations, portfolio businesses that have been sold or discontinued, and for the impact of adopting the new consolidation and joint arrangement standards (IFRS 10 and IFRS 11). Group PBITA also excludes interest and tax relating to joint ventures, which are presented on the associated lines on the group income statement.

Specific items

Specific items have been disclosed separately from the underlying results to provide a clear understanding of the underlying trading performance of the group. Other specific items in 2014 totaled £95 million (2013: £370 million) and comprised:

- £45 million increase in provisions for legacy UK Government contracts. In 2013 a provision of £136 million was taken on onerous contracts, including £116m for the Electronic Monitoring contract which was settled in March 2014.

- A net £11 million charge, mainly arising from the re-measurement of the 2013 review of assets and liabilities of £32 million, offset by a pension settlement gain of £21 million in the Netherlands. In the prior year the group provided £166 million against certain assets and liabilities as part of the 2013 review.

- A net £10 million charge, being the profit and losses from the smaller portfolio entities being sold or ceased and interest and tax from joint ventures.

- The group invested £29 million in restructuring programmes during the year (2013: £63 million), including programmes in the UK & Ireland to reorganise the business into a more effective operating model, to bring the Ireland business under UK management and to introduce a shared services centre in the region. In addition, major programmes were continued in Europe with the Netherlands and Finland in particular implementing accelerating best practice programmes focused on organisational effectiveness and back office synergies.

In 2013 £41 million was written off goodwill on acquisitions and the group recognised a gain of £24 million following the disposal of the Colombia Data Solutions business.

Interest and tax

Net interest payable on net debt was £100 million (2013: £103 million); benefiting from lower interest rates and a decrease in 2014 average net debt. The pension interest charge was £22 million (2013: £20 million), resulting in total interest cost of £122 million (2013: £123 million).

The effective tax rate for the year on underlying earnings was 25% (2013: 25%).

Discontinued operations

Profit on disposals was £71 million, offset by losses of £8 million from discontinued operations.

The profit on disposal arises from the sale of the cash solutions business in Canada, the businesses in Sweden and Norway and the disposal of the US Government solutions in November 2014.

Proceeds received on the disposal of businesses were £177 million during 2014 (comprising £159 million cash proceeds and £18 million relating to the settlement of outstanding leases). A further $55 million mainly relating to retained receivables is due to be received over the next 18 months from the US Government solutions business of which $15 million was received in January 2015.

Profit for the year

The group made a total underlying profit attributable to equity holders ('earnings') of £210 million (2013: £188 million) an increase of 12% for the year to 31 December 2014.

The group made a total profit of £169 million (2013: loss of £351 million) after specific items, interest, tax, amortisation and the results of discontinued operations.

Underlying earnings per share

Underlying earnings per share[a] increased to 13.6p (2013: 12.9p). Total earnings per share[b] was 9.8p (2013: loss per share of 24.7p). These are based on a weighted average number of shares in issue of 1,545 million (2013: 1,452 million). A reconciliation of the total and underlying EPS is provided below.

	Earnings per share[a]					
	Underlying[b]			Total		
	2014	2013 at constant exchange rates	2013 at actual exchange rates	**2014**	2013 at constant exchange rates	2013 at actual exchange rates
	£m	£m	£m	**£m**	£m	£m
Profit/(loss) for the year	**228**	203	222	**169**	(351)	(357)
Non-controlling interests	**18**	15	15	**17**	8	8
Profit/(loss) attributable to shareholders (earnings)	**210**	188	207	**152**	(359)	(365)
Average number of shares (m)	**1,545**	1,452	1,452	**1,545**	1,452	1,452
Earnings per share	**13.6p**	12.9p	14.3p	**9.8p**	(24.7)p	(25.1)p

a 2013 results have been restated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio management programme - see page 5 for details.

b To clearly present underlying performance, specific items have been disclosed separately. For basis of preparation and an analysis of specific items see page 10.

Cash flow, capital expenditure and portfolio management

Cash generated from continuing operations was £553 million (2013: £496 million). Cash flow from operating businesses was £526 million (2013: £420 million) before corporate items: 2013 included £76 million relating to the 2012 Olympics; and 2014 included the £27 million receipt following the Electronic Monitoring contract settlement with the UK Government. The group invested £122 million in capex, net of asset disposals, in the year (2013: £167 million) and received proceeds of £177 million from the disposal of portfolio businesses (including £18 million for the settlement of outstanding leases).

The net cash flow after investing in the business and proceeds from the portfolio management programme was £507 million (2013: £314 million), an increase of 61%.

Net debt

The net debt position as at 31 December 2014 was £1,578 million (2013: £1,552 million). The group's net debt to EBITDA ratio is 2.8 (2013: 2.8). The detailed profit for the year to net debt reconciliation is provided on page 4.

Pensions

The group's main defined benefit scheme in the UK which amounts for over 90% of the defined benefit schemes operated by the Group and was closed to future accrual in 2011. The group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2014 was £255 million net of tax (2013: £405 million). The group has made additional pension contributions of £42 million (2013: £38 million) during the year. The significant reduction in the pension deficit is due to asset out performance. At 31 December 2014 the group transferred its Netherlands Secure solutions defined pension scheme into the industry wide defined benefit scheme, which resulted in a net settlement gain of £21 million recorded within specific items.

Credit facilities

The group's credit rating was confirmed by Standard & Poor's as BBB- (Stable) in August 2014. As of 31 December 2014 the company had access to unutilised and committed facilities of £998 million. The group has sufficient borrowing capacity to finance its current and medium term investment plans.

The group has no material debt maturities until May 2017 and has a diverse range of finance providers. Borrowings are principally in pounds sterling, US dollars and euros reflecting the geographies of significant operational assets and profits.

The group's main sources of finance and their applicable rates as of 31 December 2014 are set out below:

(i) A £1.1 billion multicurrency revolving credit facility provided by a consortium of lending banks at a drawn margin of 1.3% over LIBOR and maturing on 16 March 2016. As at 31 December 2014 the drawings were US$160 million. In January 2015 the revolving credit facility was renewed. The new facility is £1 billion and matures in January 2020, with the option of two one year extensions which if exercised gives the group facilities through January 2021 and January 2022 respectively

(ii) A US$450 million private placement of notes issued on 1 March 2007, which mature at various dates between 2017 and 2022, and bear interest at rates between 5.86% and 6.06%.

(iii) A US$449 million and £69 million private placement notes issued on 15 July 2008, which mature at various dates between 2015 and 2020 and bear interest at rates between 6.43% and 7.56%.

(iv) A £350 million Public Note issued on 13 May 2009 bearing an interest rate of 7.75%, maturing 13 May 2019.

(v) A €600 million Public Note issued on 2 May 2012 bearing an interest rate of 2.875%, maturing 2 May 2017.

(vi) A €500 million Public Note issued on 6 December 2013 bearing an interest rate of 2.625%, maturing 6 December 2018.

Significant exchange rates applicable to the group

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

	As at 31 Dec 2014	At 2014 average rates
£/US$	1.559	1.651
£/€	1.289	1.244
£/South Africa Rand	18.039	17.863
£/India Rupee	98.424	100.761
£/Israel Shekel	6.068	5.896
£/Brazil Real	4.145	3.872

Joint ventures

The group has adopted the three new consolidation standards IFRS10 Consolidated Financial Statements, IFRS11 Joint Arrangements and IFRS12 Disclosure of Interest in Other Entities for the year ended 31 December 2014. For more details on the impact of adopting these standards please see note 12.

The adoption of these new standards resulted in certain group businesses being re-classified from subsidiaries to joint ventures and therefore changing from being fully consolidated to equity accounted.

The adoption of these standards required a restatement of prior year results which reduced revenue for the year ended 31 December 2013 by £222 million and reduced PBITA by £21 million (both at 2013 exchange rates). The entities affected are largely in the Middle East with a lower or zero effective rate of tax, and have the effect of increasing the group's effective tax rate on underlying PBT to 25%.

Dividend

The board is recommending an increase in the final dividend of 5% to 5.82p per share (DKK 0.6041), bringing the total dividend for the full year to 9.24p per share, a 3.1% increase.

10 March 2015

Consolidated income statement

For the year ended 31 December 2014

Continuing operations	Notes	2014 £m	2013 Restated £m
Revenue	2	**6,848**	7,061
Operating profit before joint ventures		**406**	409
Share of post-tax profit from joint ventures		**8**	8
Operating profit before specific items and restructuring (PBITA)	2	**414**	417
Specific items	3	**(56)**	(315)
Restructuring	3	**(29)**	(66)
Operating profit before interest, tax and amortisation	3	**329**	36
Amortisation of acquisition-related intangible assets		**(58)**	(72)
Goodwill impairment		**-**	(46)
Acquisition-related expenses		**(1)**	(4)
Profit on disposal of subsidiaries		**-**	24
Operating profit/(loss)	3	**270**	(62)
Net finance expense	6	**(122)**	(128)
Profit/(loss) before tax		**148**	(190)
Tax	7	**(42)**	(53)
Profit/(loss) from continuing operations after tax		**106**	(243)
Profit/(loss) from discontinued operations	4	**63**	(114)
Profit/(loss) for the year		**169**	(357)
Attributable to:			
Equity holders of the parent		**152**	(365)
Non-controlling interests		**17**	8
Profit/(loss) for the year		**169**	(357)
Earnings per share attributable to equity shareholders of the parent	9		
Basic and diluted - continuing operations		**5.8p**	(17.3)p
Basic and diluted - total group operations		**9.8p**	(25.1)p
Dividends declared and proposed in respect of the year			
Interim dividend of 3.42p per share (2013: 3.42p)		**53**	52
Final dividend of 5.82p per share (2013: 5.54p)		**90**	85
Total dividend of 9.24p per share (2013: 8.96p)	8	**143**	137

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014 **£m**	2013 Restated £m
Profit/(loss) for the year	**169**	(357)
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Remeasurements on defined retirement benefit schemes	**155**	(60)
Tax on items that will never be reclassified to profit or loss	**(36)**	(1)
	119	(61)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(4)**	(109)
Change in fair value of net investment hedging financial instruments	**(44)**	25
Change in fair value of cash flow hedging financial instruments	**6**	(8)
Tax on items that are or may be reclassified subsequently to profit or loss	**6**	(4)
	(36)	(96)
Other comprehensive income/(loss), net of tax	**83**	(157)
Total comprehensive income/(loss) for the year	**252**	(514)
Attributable to:		
Equity holders of the parent	**236**	(521)
Non-controlling interests	**16**	7
Total comprehensive income/(loss) for the year	**252**	(514)

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Attributable to equity holders of the parent						
	Share capital 2014 £m	**Share premium 2014 £m**	**Retained earnings 2014 £m**	**Other reserves 2014 £m**	**Total 2014 £m**	**NCI reserve 2014 £m**	**Total Equity 2014 £m**
At 1 January 2014	**388**	**258**	**(418)**	**636**	**864**	**20**	**884**
Total comprehensive income	**-**	**-**	**272**	**(36)**	**236**	**16**	**252**
Dividends declared	**-**	**-**	**(138)**	**-**	**(138)**	**(11)**	**(149)**
Transfer to retained earnings	**-**	**-**	**308**	**(308)**	**-**	**-**	**-**
Recycling of translation reserves on disposal	**-**	**-**	**-**	**(13)**	**(13)**	**-**	**(13)**
Transactions with non-controlling interests	**-**	**-**	**(6)**	**-**	**(6)**	**(3)**	**(9)**
Equity-settled transactions	**-**	**-**	**5**	**-**	**5**	**-**	**5**
At 31 December 2014	**388**	**258**	**23**	**279**	**948**	**22**	**970**

	Attributable to equity holders of the parent						
	Share capital 2013 £m	Share premium 2013 £m	Retained earnings 2013 £m	Other reserves 2013 £m	Total 2013 £m	NCI reserve 2013 £m	Total 2013 £m
At 1 January 2013 - restated	353	258	143	422	1,176	32	1,208
Total comprehensive income	-	-	(425)	(96)	(521)	7	(514)
Shares issued	35	-	-	308	343	-	343
Dividends declared	-	-	(130)	-	(130)	(21)	(151)
Own shares awarded	-	-	(2)	2	-	-	-
Transaction with non-controlling interests	-	-	(4)	-	(4)	2	(2)
At 31 December 2013 - restated	388	258	(418)	636	864	20	884

Consolidated statement of financial position

At 31 December 2014

	Notes	2014 £m	2013 Restated £m	2012 Restated £m
ASSETS				
Non-current assets				
Goodwill		**1,939**	1,955	2,096
Other acquisition-related intangible assets		**83**	141	204
Other intangible assets		**82**	77	87
Property, plant and equipment		**450**	484	506
Trade and other receivables		**97**	104	118
Investment in joint ventures		**41**	34	30
Deferred tax assets		**176**	184	179
		2,868	2,979	3,220
Current assets				
Inventories		**108**	112	124
Investments		**60**	39	52
Trade and other receivables		**1,371**	1,380	1,500
Cash and cash equivalents		**409**	532	419
Assets classified as held for sale	*10*	**6**	220	229
		1,954	2,283	2,324
Total assets		**4,822**	5,262	5,544
LIABILITIES				
Current liabilities				
Bank overdrafts		**(18)**	(9)	-
Bank loans		**(60)**	(27)	(13)
Loan notes		**(96)**	(61)	(40)
Obligations under finance leases		**(14)**	(21)	(18)
Trade and other payables		**(1,103)**	(1,166)	(1,184)
Current tax liabilities		**(69)**	(48)	(38)
Provisions	*11*	**(90)**	(195)	(27)
Liabilities associated with assets classified as held for sale	*10*	**(4)**	(133)	(52)
		(1,454)	(1,660)	(1,372)
Non-current liabilities				
Bank loans		**(105)**	(140)	(324)
Loan notes		**(1,803)**	(1,921)	(1,999)
Obligations under finance leases		**(26)**	(31)	(43)
Trade and other payables		**(23)**	(13)	(18)
Retirement benefit obligations		**(319)**	(504)	(471)
Provisions	*11*	**(105)**	(64)	(45)
Deferred tax liabilities		**(17)**	(45)	(64)
		(2,398)	(2,718)	(2,964)
Total liabilities		**(3,852)**	(4,378)	(4,336)
Net assets		**970**	884	1,208
EQUITY				
Share capital		**388**	388	353
Share premium and reserves		**560**	476	823
Equity attributable to equity holders of the parent		**948**	864	1,176
Non-controlling interests		**22**	20	32
Total equity		**970**	884	1,208

Consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
Profit/(loss) retained for the year		**152**	(365)
Adjustments for non-cash and other items:			
Non-controlling interest		**17**	8
Pension settlement gain		**(21)**	-
(Profit)/loss from discontinued operations		**(63)**	114
Tax charge		**42**	53
Net finance expenses		**122**	128
Depreciation and amortisation		**192**	214
Impairment of other assets and goodwill		**4**	70
Equity-settled transactions		**5**	-
Share of profit from joint ventures		**(8)**	(8)
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related)		**(3)**	(24)
(Decrease)/increase in provisions		**(68)**	187
Additional pension contributions		**(42)**	(38)
Operating cash flow before movements in working capital		**329**	339
Net working capital movement		**19**	85
Net cash flow from operating activities of continuing operations		**348**	424
Net cash flow from operating activities of discontinued operations		**(12)**	31
Cash generated by operations		**336**	455
Tax paid		**(81)**	(83)
Net cash flow from operating activities		**255**	372
Investing activities			
Interest received		**12**	21
Purchases of non-current assets		**(138)**	(178)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**16**	11
Acquisition of subsidiaries		**(3)**	(23)
Net cash and overdraft balances acquired		**-**	(6)
Disposal of subsidiaries		**159**	35
Cash, equivalents and bank overdrafts in disposed entities		**(12)**	(2)
(Purchase)/ sale of investments		**(17)**	13
Cash flow from equity accounted investments		**9**	(2)
Net cash generated by/(used in) investing activities		**26**	(131)
Financing activities			
Share issues		**-**	343
Dividends paid to equity shareholders of the parent		**(138)**	(130)
Dividends paid to non-controlling interests		**(11)**	(21)
Other net movement in borrowings		**(91)**	(188)
Interest paid		**(126)**	(129)
Repayment of obligations under finance leases		**(19)**	(9)
Movement in customer cash balances		**(22)**	22
Transactions with non-controlling interests		**(10)**	(2)
Net cash flow from financing activities		**(417)**	(114)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(136)**	127
Cash, cash equivalents and bank overdrafts at the beginning of the year		**538**	439
Effect of foreign exchange rate fluctuations on cash held		**(11)**	(28)
Cash, cash equivalents and bank overdrafts at the end of the year		**391**	538

For a reconciliation of net cash flow from operating activities of continuing operations to net debt see page 4.

Notes to the preliminary results announcement (continued)

1) Basis of preparation and accounting policies

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2014 or 2013. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on the 2013 accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The comparative income statement for the year ended 31 December 2013 has been re-presented for operations qualifying as discontinued during the current year. Prior year revenue from continuing operations has been reduced by £145m and loss before tax has increased by £3m compared to the figures published previously. Further details of discontinued operations are presented within note 4.

Basis of preparation of the income statement

The group's income statement and segmental analysis note separately identify results before specific items. Specific items are those that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Specific items include onerous contracts, restructuring costs, impairments and one-off or non-recurring items and, in particular, the 2013 review of the carrying value of assets and liabilities and any changes in estimates relating to those assets and liabilities since that review.

In the year ended 31 December 2014 the group has continued to apply the accounting policies detailed in the 2013 statutory accounts except for the following new standards and amendments:

- IFRS 10 *Consolidated Financial Statements*, which replaces parts of IAS 27 *Consolidated and Separate Financial Statements* and all of SIC-12 *Consolidation – Special Purpose Entities*, introduced a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. This differs from the previous approach where one of the main criteria used to consolidate was to have the power to govern the financial and operating policies of the entity. As a result of the adoption of IFRS10 the group has reclassified certain entities within the Asia and Middle East region as joint ventures where previously they were classified as subsidiaries. As a result of applying IFRS 11 *Joint Arrangements*, the group now accounts for these businesses using the equity method.

- IFRS 11 *Joint Arrangements* removes the option to account for jointly controlled entities using the proportionate consolidation method. Instead, all jointly controlled entities are accounted for using the equity method of accounting. As the group previously applied the proportionate method of accounting to its jointly controlled entities this has impacted the group's consolidated income statement and consolidated statement of financial position.

- IFRS 12 *Disclosure of Interest in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- The group also adopted IAS 27 (revised) 'Separate financial statements' and IAS 28 (revised) 'Associates and joint ventures'. The adoption of these standards did not have a material impact on the financial statements.

Restating prior year results for the adoption of these standards has reduced the group's revenue for the year ended 31 December 2013 by £222m. The group's operating profit before specific items for the year ended 31 December 2013 is £21m lower. The group's net assets have also been restated and have decreased by £35m as at 31 December 2013. Further details are given in note 12.

The group has not adopted early any standard, amendment or interpretation. A number of new standards, amendments to standards and interpretations have been announced but are not yet effective for the year ended 31 December 2014. Those that are expected to have an impact on the group accounts are detailed below:

- IFRS 9 'Financial Instruments' removes the multiple classification and measurement models for financial assets required by IAS 39 and replaces it with a model with only two classification categories: amortised cost and fair value. The business model for managing the financial assets and the contractual cash flow characteristics of those assets drives the classification. There have been no significant changes to the accounting and presentation for financial liabilities and for derecognising financial instruments. The group is currently assessing the impact this standard would have on its consolidated results and financial position.

Notes to the preliminary results announcement (continued)

Basis of preparation of income statement (continued)

The following revisions, amendments and improvements are not yet effective and are not expected to have a material impact on the results of the Group when they are adopted:

- Amendments to IAS 32 'Financial instruments'
- Amendments to IAS 39 'Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting'
- Amendments to IFRS 7 'Offsetting financial assets and liabilities'
  Improvements to IFRS 2009-2011 Cycle, IFRS 2010-2012 Cycle, IFRS 2011-2013 Cycle.

IFRS 15 'Revenue from contracts with customers' is effective for the year ended 31 December 2017 and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The group is assessing the potential impact on its consolidated financial statements that will result from the application of IFRS 15.

Notes to the preliminary results announcement (continued)

2) Operating segments

The group operates on a worldwide basis and derives a substantial proportion of its revenue and operating profit from each of the following six geographic regions: Africa, Asia Middle East, Latin America (LATAM), Europe, North America and UK & Ireland. For each of the reportable segments, the group executive committee (the chief operating decision maker) reviews internal management reports on a regular basis.

Segment information for continuing operations is presented below:

Revenue by reportable segment	2014 £m	2013 Restated £m
Africa	**485**	496
Asia Middle East	**1,327**	1,372
Latin America	**663**	693
Emerging markets	**2,475**	2,561
Europe	**1,421**	1,526
North America	**1,365**	1,359
UK & Ireland	**1,587**	1,615
Developed markets	**4,373**	4,500
Total revenue	**6,848**	7,061

Operating profit	2014 £m	2013 £m
Africa	**46**	40
Asia Middle East	**101**	108
Latin America	**38**	44
Emerging markets	**185**	192
Europe	**84**	88
North America	**75**	59
UK & Ireland	**130**	119
Developed markets	**289**	266
Operating profit before corporate costs	**474**	458
Corporate costs	**(60)**	(41)
Operating profit before specific items [a]	**414**	417
Specific items	**(56)**	(315)
Restructuring	**(29)**	(66)
Operating profit before interest, tax and amortisation	**329**	36
Amortisation of acquisition-related intangible assets	**(58)**	(72)
Goodwill impairment	**-**	(46)
Acquisition-related expenses	**(1)**	(4)
Profit on disposal of subsidiaries	**-**	24
Operating profit/(loss)	**270**	(62)

[a] Operating profit before specific items shown above includes the group's share of results from joint ventures, including their related interest and tax results.

Notes to the preliminary results announcement (continued)

3) Operating profit

The income statement can be analysed as follows:

Continuing operations	**2014** **£m**	2013 Restated £m
Revenue	**6,848**	7,061
Total cost of sales	**(5,546)**	(5,779)
Gross profit	**1,302**	1,282
Administration expenses	**(1,040)**	(1,352)
Share of profit from joint ventures	**8**	8
Operating profit/(loss)	**270**	(62)

Cost of sales

Specific items within cost of sales relate to the increase in provisions for legacy UK government contracts of £45m (2013: £27m) and other items of £5m (2013: £98m).

Administration expenses

Specific items relate to the re-measurement of the review of assets and liabilities of £27m (2013: £81m) offset by offset by a pension settlement gain of £21m (2013: £nil) in the Netherlands.

Restructuring costs were £29m (2013: £66m) relating to the re-organisation of the UK & Ireland business and programmes in Europe to accelerate best practice and identify back office synergies.

Also included in administration expenses are amortisation costs of £58m (2013: £72m) and acquisition-related expenses of £1m (2013: £4m).

In 2013 administration expenses also included a charge of £109m relating to the settlement on the UK Electronic Monitoring contract and two smaller contracts; a charge of £46m relating to goodwill impairment and were net of a £24m profit relating to the disposal of the group's secure data archiving business in Colombia.

4) Discontinued operations

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

The US Government solutions business, the cash solutions business in Canada and the business in Norway were also classified as discontinued as at 31 December 2013.

5) Acquisitions

The group has not made any material acquisitions in the year.

Notes to the preliminary results announcement (continued)

6) Net finance expense

	2014 **£m**	2013 Restated £m
Interest income on cash, cash equivalents and investments	**11**	13
Interest receivable on loan note related derivatives	**11**	12
Interest costs on bank overdrafts, loans and loan notes	**(114)**	(124)
Interest costs on obligations under finance leases	**(4)**	(4)
Other interest charges	**(4)**	(5)
Total group borrowing costs	**(100)**	(108)
Finance costs on defined retirement benefit obligations	**(22)**	(20)
Net finance expense	**(122)**	(128)

7) Taxation

	2014 **£m**	2013 Restated £m
Current taxation expense	**(90)**	(89)
Deferred taxation credit	**48**	36
Total income tax expense for the year	**(42)**	(53)

8) Dividends

	Pence per share	DKK per share	**2014** **£m**	2013 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2012	5.54	0.4730	**-**	78
Interim dividend for the six months ended 30 June 2013	3.42	0.2972	**-**	52
Final dividend for the year ended 31 December 2013	5.54	0.4954	**85**	-
Interim dividend for the six months ended 30 June 2014	3.42	0.3198	**53**	-
			138	130
Proposed final dividend for the year ended 31 December 2014	5.82	0.6041	**90**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 12 June 2015 to shareholders who are on the register on 8 May 2015. The exchange rate used to translate it into Danish kroner is that at 9 March 2015.

Notes to the preliminary results announcement

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

	2014	2013
		Restated
	£m	£m
(a) From continuing and discontinued operations		
Earnings		
Profit/(loss) for the year attributable to equity holders of the parent	**152**	(365)
Weighted average number of ordinary shares (m)	**1,545**	1,452
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	**9.8p**	(25.1)p
(b) From continuing operations		
Earnings		
Profit/(loss) for the year attributable to equity holders of the parent	**152**	(365)
Adjustment to exclude (profit)/loss for the year from discontinued operations (net of tax)	**(63)**	114
Profit/(loss) from continuing operations	**89**	(251)
Earnings per share from continuing operations (pence)		
Basic and diluted	**5.8p**	(17.3)p
From discontinued operations		
Profit/(loss) per share from discontinued operations (pence)		
Basic and diluted	**4.1p**	(7.8)p
(c) From adjusted earnings		
Earnings		
Profit/(loss) from continuing operations	**89**	(251)
Specific items	**56**	315
Restructuring	**29**	66
Amortisation of acquisition-related intangible assets	**58**	72
Goodwill impairment	**-**	46
Acquisition-related expenses	**1**	4
Profit on disposal of subsidiaries	**-**	(24)
Tax on amortisation and specific items	**(33)**	(20)
Non-controlling interests' share of specific items	**(1)**	(7)
Adjusted profit for the year attributable to equity holders of the parent	**199**	201
Weighted average number of ordinary shares (m)	**1,545**	1,452
Underlying earnings per share (pence)	**12.9p**	13.8p

In the opinion of the directors the earnings per share figure of most use to shareholders is the adjusted earnings per share. This figure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future earnings.

10) Disposal groups classified as held for sale

At 31 December 2014, disposal groups classified as held for sale primarily comprised the assets and liabilities associated with operations in Costa Rica.

At 31 December 2013, disposal groups classified as held for sale comprised the assets and liabilities associated with the classified US Government solutions business, the business in Norway and the cash solutions business in Canada. Sales of the businesses in Norway and Canada completed in January 2014, and the US Government solutions business was sold in December 2014.

Notes to the preliminary results announcement

11) Provisions

	Employee benefits £m	Restructuring £m	Claims £m	Contract provisions £m	Total £m
At 1 January 2014	**26**	**33**	**57**	**143**	**259**
Additional provisions in the year	**29**	**33**	**48**	**66**	**176**
Utilisation of provision	**(16)**	**(49)**	**(24)**	**(129)**	**(218)**
Transfer and reclassification	**(13)**	**1**	**2**	**(4)**	**(14)**
Unused amounts reversed	**(3)**	**-**	**-**	**(5)**	**(8)**
Translation adjustments	**-**	**(1)**	**2**	**(1)**	**-**
At 31 December 2014	**23**	**17**	**85**	**70**	**195**
Included in current liabilities					**90**
Included in non-current liabilities					**105**
					195

The utilisation of the contract provision mainly relates to the settlement of the electronic monitoring contract with the UK Government in the first half of 2014. The final settlement was for £109m and also included the settlement of two other smaller contracts in the UK.

12) Impact of new accounting standards

The group has presented a restated income statement for the year ended 31 December 2013, restated statements of financial position at 31 December 2013 and 31 December 2012 and a restated cash flow statement for the year ended 31 December 2013. The following pages contain reconciliations between the restated amounts and those previously published.

The adoption of IFRS10 has resulted in certain group businesses in Asia & Middle East being re-classified as joint ventures rather than subsidiaries. These businesses were previously consolidated into each of the relevant line items in the group's consolidated income statement, consolidated statement of cash flows and consolidated statement of financial position at 100% of their reported results. As a result of being classified as joint ventures they fall into the scope of IFRS11 and are now reported using the equity method. Under the equity method the group's share of the entities' post-tax results are shown in the income statement under 'share of profit from joint ventures' and the group's net investment is shown in the statement of financial position under 'investment in joint ventures'.

In addition the group previously applied the proportionate method of consolidation to its existing joint ventures. Under the proportionate method of consolidation the group consolidated the group's share of each relevant line item in the group's income statement and statement of financial position. As a result of adopting IFRS11 the results of these joint ventures are also now consolidated using the equity method as described above.

The income statement reconciliation for the year ended 31 December 2013 separately presents restatements for discontinued operations. The restated opening balance sheet as at 31 December 2012 has also been presented.

Consolidated income statement for the year ended 31 December 2013	As published £m	Restatements for IFRS10 & IFRS11 £m	**Revised £m**	Entities reclassified as discontinued £m	**Restated £m**
Revenue from continuing operations	7,428	(222)	**7,206**	(145)	**7,061**
Operating profit before specific items and restructuring	442	(21)	**421**	(4)	**417**
Loss before tax	(170)	(17)	**(187)**	(3)	**(190)**
Loss from continuing operations after tax	(226)	(15)	**(241)**	(2)	**(243)**
Loss for the year	**(342)**	**(15)**	**(357)**	**-**	**(357)**
Profit attributable to non-controlling interests	20	(12)[a]	**8**	-	**8**

[a] This adjustment includes a £3m reclassification to the non-controlling interest result for the year ended 31 December 2013.

Notes to the preliminary results announcement

Consolidated statement of financial position for the year ended 31 December 2013	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
ASSETS			
Goodwill	1,966	(11)	**1,955**
Investment in joint ventures	-	34	**34**
Other non-current assets	1,022	(32)	**990**
Trade and other receivables	1,394	(14)	**1,380**
Cash and cash equivalents	594	(62)	**532**
Other current assets	376	(5)	**371**
	5,352	(90)	**5,262**
LIABILITIES			
Bank overdrafts	(22)	13	**(9)**
Trade and other payables	(1,220)	6	**(1,214)**
Other current liabilities	(442)	5	**(437)**
Bank loans	(169)	29	**(140)**
Non-current liabilities	(2,580)	2	**(2,578)**
	(4,433)	55	**(4,378)**
Net assets	919	(35)	**884**
EQUITY			
Share capital	388	-	**388**
Share premium and reserves	479	(3)	**476**
Equity attributable to equity holders of the parent	867	(3)	**864**
Non-controlling interests	52	(32)	**20**
Total equity	919	(35)	**884**

Consolidated statement of cash flow for the year ended 31 December 2013	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
Net cash flow from operating activities	400	(28)	**372**
Net cash used in investing activities	(163)	32	**(131)**
Net cash flow from financing activities	(95)	(19)	**(114)**
Net movement in cash, cash equivalents and bank overdrafts	142	(15)	**127**
Cash, cash equivalents and bank overdrafts at the beginning of the year	472	(33)	**439**
Effect of foreign exchange rate fluctuations on cash held	(27)	(1)	**(28)**
Cash, cash equivalents and bank overdrafts at the end of the year	587	(49)	**538**

Notes to the preliminary results announcement

Consolidated statement of financial position for the year ended 31 December 2012	As published £m	Restatements for IFRS10 & IFRS11 £m	Restated £m
ASSETS			
Goodwill	2,108	(12)	**2,096**
Investment in joint ventures	-	30	**30**
Other non-current assets	1,114	(20)	**1,094**
Trade and other receivables	1,506	(6)	**1,500**
Cash and cash equivalents	469	(50)	**419**
Other current assets	413	(8)	**405**
	5,610	(66)	**5,544**
LIABILITIES			
Bank overdrafts	(17)	17	**-**
Trade and other payables	(1,234)	12	**(1,222)**
Other current liabilities	(157)	7	**(150)**
Non-current liabilities	(2,971)	7	**(2,964)**
	(4,379)	43	**(4,336)**
Net assets	1,231	(23)	**1,208**
EQUITY			
Share capital	353	-	**353**
Share premium and reserves	823	-	**823**
Equity attributable to equity holders of the parent	1,176	-	**1,176**
Non-controlling interests	55	(23)	**32**
Total equity	1,231	(23)	**1,208**

13) Analysis of net debt

A reconciliation of net debt to amounts in the consolidated balance sheet is presented below:

	2014 **£m**	2013 Restated £m
Cash and cash equivalents	**409**	532
Investments	**60**	39
Net cash and overdrafts included within assets held for sale	**-**	15
Net debt included within assets held for sale	**(1)**	(17)
Bank overdrafts	**(18)**	(9)
Bank loans	**(165)**	(167)
Loan notes	**(1,899)**	(1,982)
Obligations under finance leases	**(40)**	(52)
Fair value of loan note derivative financial instruments	**76**	89
Total net debt	**(1,578)**	(1,552)

Non GAAP measures

Group's definition of net debt to EBITDA

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

	2014 £m	2013 Restated £m
Operating profit before specific items (per consolidated income statement on page 13)	**414**	417
Portfolio businesses and joint ventures (see page 5)	**10**	5
PBITA (per summary income statement on page 3)	**424**	422
Add back:		
Depreciation	**108**	114
Amortisation of non-acquisition related intangible assets	**25**	24
EBITDA	**557**	560
Net debt per Note 13	**1,578**	1,552
Group's definition of Net debt:EBITDA ratio	**2.8**	2.8

A reconciliation between the EBITDA and net debt as presented at 31 December 2013 and the restated figures is shown below:

	EBITDA £m	Net Debt £m
Pre IFRS10	**584**	1,533
IFRS10 adjustments	**(27)**	19
Post IFRS10	**557**	**1,552**

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

Notes to Editors:

G4S is the leading global, integrated 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 of our markets.

G4S is quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S is active in over 110 countries and has 623,000 employees. For more information on G4S, visit www.g4s.com.

Presentation of Results:

A presentation to investors and analysts is taking place today at 09.00hrs at JP Morgan 60 Victoria Embankment, London, EC4Y 0JP.

The webcast link is: http://view-w.tv/707-803-15426/en

Dividend payment information

2014 final dividend:

Announce – Tuesday 10 March 2015
Ex date (and last day for DKK elections) – Thursday 7 May 2015
Record date – Friday 8 May 2015
Pay date – Friday 12 June 2015