Securing your world

G4S plc
Annual Report and Accounts 2013

Investing in sustainable, profitable growth.

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Financial highlights

UNDERLYING REVENUE

£7.4bn

(2012: £7.0bn)

UNDERLYING PBITA[1]

£442m

(2012: £430m[2])

TOTAL REVENUE

£7.4bn

(2012: £7.2bn)

TOTAL PBITA[3]

£56m

(2012: £364m)

UNDERLYING EPS

14.7p

(2012: 15.8p)

TOTAL EPS

(24.9)p

(2012: 2.9p)

CASH GENERATED BY CONTINUING OPERATIONS

£460m

(2012: £337m)

DIVIDEND PER SHARE

8.96p

(2012: 8.96p)

A full review of our financial performance is set out in the Chief Financial Officer's review on pages 84 to 89. EU IFRS financial statements are on pages 94 to 141. The strategic report has been approved by the board, see page 83.

1 To clearly present underlying performance, specific items have been excluded and separately disclosed – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

3 Including specific items. See page 86 for details.

A market led strategy to deliver sustainable shareholder value

G4S is the leading global integrated security company, specialising in the provision of security products, services and solutions.

Our strategy is market led. We satisfy our customers' needs by understanding their strategic objectives and designing and delivering innovative solutions which support their goals.

Our aim is to create sustainable shareholder value through excellence in customer service, operations and financial management.

See pages 8 to 27 for more information

Putting strong foundations in place

John Connolly
Chairman

"This is my second chairman's statement in a G4S annual report and it is fair to say that it marks the completion of a year no less challenging than my first. 2013 was a year during which the group underwent a great deal of change, at both board and senior management level, and also in some of the ways we conduct our business."

DIVIDEND PER SHARE

8.96p

(2012: 8.96p)

A YEAR OF CHANGE

2013 was always going to be a year of change. Some board changes involving executive and non-executive directors had been planned and the foundations for those changes had been laid in 2012.

Nick Buckles, who had been chief executive of the group since 2005, stepped down as CEO in May. He was succeeded by Ashley Almanza, a high quality, respected executive with extensive international business experience, who became group CEO on 1 June 2013. Mr Almanza had joined the group earlier in the year as CFO following the retirement of Trevor Dighton from that role.

In May, the UK Ministry of Justice ("MoJ") announced concerns in relation to billing practices on our electronic monitoring contracts in England and Wales and commenced a review of all MoJ contracts held by G4S. At the same time, the Cabinet Office initiated a review of all our major UK Government contracts – the Cross Government Review. In response to the concerns raised by the MoJ, we appointed an independent law firm and external accountants to look into the matter on behalf of the board. We also co-operated with the MoJ and Cabinet Office reviews. Both the MoJ review and the Cabinet Office review have now been completed and we reached settlement of claims raised in relation to electronic monitoring and two other contracts in England.

The UK Government is one of the group's largest customers and so repairing the relationship and rebuilding our reputation, particularly in the UK market, has rightly been at the forefront of the work of the executive team and of the board. This will take time and forms part of a wider transformation plan launched by the group CEO, which includes organisational and process changes designed to strengthen customer focus, governance and contract management and control. This transformation process is something which the UK Government has been keen to see, but it is important to stress that it is something which was already in progress and not just in the UK.

SO WHAT CHANGED IN 2013?

We welcomed five new members to the board during the year. Three of them are non-executive directors: Adam Crozier and Paul Spence, who joined the board in January, and Tim Weller, who joined in April; whilst Bo Lerenius and Lord Condon retired from the board in June. There were also changes to the executive board members. In addition to Nick Buckles' departure in May, Trevor Dighton stood down as CFO at the end of April and left the board in June. Ashley Almanza joined on 1 May as CFO before taking on the role of chief executive officer from 1 June. Himanshu Raja was appointed CFO in October.

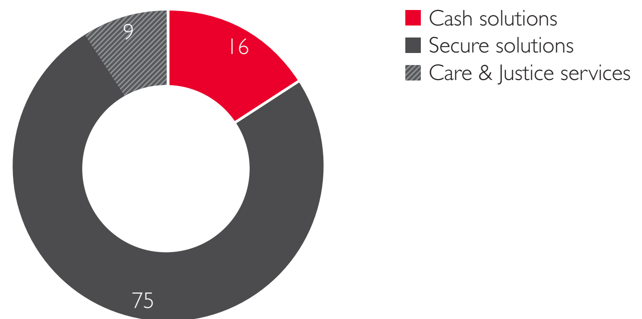
In a fairly short space of time the make-up of the board has changed significantly, so it has been important to ensure that it retains the right combination of knowledge of the group as well as expertise which is relevant to the business. I believe we have a board which is diverse in composition and well suited to the task; covering a broad spectrum in terms of professional background, experience, nationality and gender.

As announced previously, we undertook a thorough review of the group's risk management function and systems in the first half of 2013. The Risk Committee reviewed the findings of the review, and implemented a number of recommendations. The Risk Committee was constituted as a full board committee in 2013 to strengthen support to the board in discharging its responsibilities regarding the maintenance of a framework of effective controls to enable risk to be assessed and managed. The review process also led to important changes to the risk function and the implementation of a new risk management framework described in more detail on pages 36 to 41 of the Strategic Report. In addition, the Risk Committee reviews and reports to the board on the risk aspects of major developments that affect the group and major contracts which the group enters into.

As reported in the CEO's review, we have embarked upon a group-wide transformation responding to the significant issues identified over the last 18 months as the new executive team set the business on track for future profitable growth. This plan has embraced a bottom up business and strategy review bringing in a wide range of new senior executives in key roles, restructuring a number of businesses, a portfolio review of the group's businesses and a comprehensive review of financials and financial disciplines. Importantly the board approved management's extensive proposals for new processes and disciplines emphasising our key values around customer focus and integrity. This part of the transformation along with the above mentioned emphasis on risk management will contribute to meeting the requirements of our key UK customer, UK Government, around corporate renewal.

We have taken on board the lessons we have learned from the challenges of 2013 and a great deal of effort continues to be focused on ensuring that we have the right people and the appropriate systems and processes in place to ensure the group's long-term success. I believe we are on the right track.

REVENUE BY BUSINESS SERVICE (%)



FINANCIAL PERFORMANCE

The group operates in many parts of the world and continues to provide critical services to thousands of customers to the highest standards. This underlying strength of the business was reflected in the company's performance for 2013. Underlying revenue growth of 5.8% was underpinned by 16% growth in emerging markets.

Cash generated by continuing operations increased by 36%. To strengthen the group's financial position, we raised approximately £343 million net via a placing of new shares in August. Together with a disposals programme which has, to date, generated £124 million, and a strong focus on cash flow management, this will enable us to reduce our debt and to invest in sustainable, profitable growth.

We have a clear strategic plan and the board believes that the business has significant growth opportunities and positive prospects. The directors therefore propose a final dividend of 5.54p (DKK 0.4954) per share, payable on 13 June 2014. With an interim dividend of 3.42p (DKK 0.2972) per share paid on 18 October 2013, the total dividend for the year will amount to 8.96p per share, the same as for 2012.

On behalf of the board I would like to thank the 618,000 employees who make up the group for their hard work and dedication in 2013 and their focus on doing what they do well. It is with confidence that I look forward to capturing the value in 2014 of all the groundwork that has been done in 2013.

John Connolly
Chairman

Focused on sustainable, profitable growth

Ashley Almanza
Group Chief Executive Officer

"This has been an extremely challenging year for G4S. We have taken clear action to address long-standing issues and have introduced wide-ranging changes to strengthen our business. We can now look to the future with increasing confidence, focusing on the growing demand for G4S services that underpins our plans to deliver sustainable, profitable growth."

A YEAR OF CHANGE

I was delighted to join G4S in May 2013 and to take up the role of group CEO in June. In my first few months, I travelled around the group, meeting senior managers and colleagues working in different regions and at many levels in our organisation and I also had the opportunity to visit some of our operations and customers. This confirmed my view that G4S has considerable unrealised potential.

In order to address that potential in a focused and disciplined way, we conducted a strategy and business review, evaluating our position and prospects in each of our key markets around the world. While the review confirmed the strength of our global market positions, it also identified the need for wide ranging changes which, over time, we expect to transform the group's ability to deliver sustainable, profitable growth.

GROUP STRATEGY

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

Our strategy is market led – everything begins with the customer. We seek to understand our customers' strategic and commercial objectives and from there we design and deliver solutions which support those objectives. Our aim is simple and clear; it is to create sustainable shareholder value through the consistent delivery of excellence in three areas: customer service, operational performance and financial management.

As noted above, the strategic review we conducted in 2013 identified the need for wide-ranging changes which we have captured in the form of a number of strategic priorities. I'm pleased to report that progress has been made in each of these areas:

Strategic focus and portfolio management

At the start of the year we were operating in more than 125 countries with several lines of business in each country. By assessing the strategic fit, performance and prospects of each of these businesses, we identified 35 businesses which required action to be taken to realise full value for shareholders, through turn-around, restructuring or disposal. As a result, we are actively managing the group's portfolio, divesting a number of non-core businesses, and have generated cash proceeds of £124 million to date. Our work in this area continues and, subject to value accretive terms being achieved, we may make further disposals.

Organic investment

Our review concluded that we were under-investing in organic growth and technology and innovation. The group is now investing an additional £15 to £20 million in 2014 to strengthen sales and business development capability and to extend our technology and innovation across the group – both important catalysts for future growth.

Balance sheet flexibility

Given the scale and quality of our organic growth opportunity and the level of net debt at the start of the year, we raised £343 million through the successful placing of 140.9 million new shares.

Capital discipline and Risk management

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

People

Our review identified the need to strengthen our resource and capability in a number of key areas of the business. Over the past nine months, we have significantly strengthened our senior management, with 28 new appointments to the global leadership team.

Group values

Our group values underpin the reputation and long-term value of the group. We have updated and reinforced awareness and understanding of our group values to ensure that we conduct our business to the highest standards. We are enhancing health and safety across the group by standardising safety management systems and embedding health and safety objectives in individual performance contracts.

Competitive strengths

Our review concluded that our competitive position needed to be strengthened in a number of key markets. During the second half of the year we established major restructuring programmes, with detailed plans to invest £68 million over 2013 and 2014 and these are now being implemented. We expect the economic, financial and performance benefits to be realised over the next 12 to 36 months.

Cost leadership

We recognised the growing importance of cost leadership and following systematic benchmarking we established a number of efficiency programmes. These include focus on direct labour efficiency, organisational efficiency, vehicle route planning and telematics, IT standardisation, procurement and shared services.

Performance management

We re-defined our performance measures and incentives, putting in place measures and performance management processes which focus on customers' needs, sustainable profit and cash flow. I believe this provides clear and strong alignment between management priorities and shareholder value.

While we still have much to do, I have been enormously encouraged by the positive engagement from colleagues across the group who have embraced these changes and demonstrated extraordinary commitment to our customers and to G4S. I'm grateful for their skill and dedication, which remain critical to our success.

STRATEGIC EXECUTION

To see in more detail how we plan to deliver our focused strategy to deliver sustainable, profitable growth please see pages 8 to 27.

FINANCIAL PERFORMANCE

Demand for our services remained strong in 2013, particularly in emerging markets where our revenue rose by 16%.

Underlying profit before interest, tax and amortisation (PBITA) was £442 million and cash generated by operations increased by 36% to £460 million, primarily reflecting improved working capital management which is described in more detail in the chief financial officer's review.

Our emerging market businesses in Africa, Latin America, Asia and the Middle East, converted strong revenue growth into very strong profit progression and underlying PBITA from these businesses rose by 25% to £216 million.

Our developed market businesses posted PBITA of £270 million as our businesses in Europe, UK and Ireland suffered from a weak trading environment, unsatisfactory service delivery in some areas and an uncompetitive cost structure. In the US, our sales in technology and secure solutions were adversely impacted by cuts in Federal government spending. We have established restructuring programmes in all of these businesses and, as previously mentioned, made a provision for £68 million to cover the cost of these programmes.

Having performed an extensive review of our UK Government contracts we were pleased to conclude a settlement agreement with the Ministry of Justice (MoJ). Under this agreement we will refund approximately £96 million for amounts overbilled on three contracts and will compensate the UK tax payer for £12.5 million costs incurred by the UK Government. We believe that the settlement, together with other actions we are taking, will help us to maintain our position as a strategic supplier to the UK Government.

During the year, we conducted a comprehensive financial review of our assets and liabilities and major contracts. These reviews, together with the MoJ settlement and our restructuring programmes, resulted in a £386 million charge to profits during 2013. This contributed to a net loss of 24.9 pence per share and to a reduction in the book value of the group's net assets from £1,231 million to £919 million. Having completed these reviews, we now have a solid baseline against which we can measure our progress.

The resulting total PBITA for the year was £56 million (2012: £364 million). Underlying EPS was 14.7p against 15.8p in 2012 and total loss per share was 24.9p, compared with earnings per share of 2.9p in 2012.

The group's share placing, cash proceeds from portfolio disposals and improved operating cash flow all helped to offset investment and other demands on our cash flow and we ended the year with net debt of £1.5 billion compared with £1.8 billion at the start of the year.

HEALTH AND SAFETY

During 2013, fifty-five colleagues lost their lives in the line of duty, principally as a result of attacks by third parties and road traffic accidents. Their loss is deeply felt by their families and their colleagues and is a matter of great concern for everyone at G4S. This has caused us to re-double our efforts to mitigate the risks faced each day by many of our colleagues. The Group Executive team is leading a programme to strengthen safety leadership and safety practices across the group, including:

- Critical country reviews: conducting detailed assessments and developing mitigation plans in those countries and operations where we have identified the greatest risks.
- Establishing a new group wide standard for health and safety management systems.
- Health and safety resource: We made a number of new appointments across the group and at the beginning of 2014 we had 110 dedicated health and safety professionals, assisting us to reduce health and safety risks.
- Safety leadership training and awareness is now mandatory for all senior managers. In addition, each member of the Group Executive team (and each of their teams) has specific health and safety performance objectives in 2014.
- In support of our health and safety programme, we have established a new group value called Safety First.

We work in an inherently hazardous industry and health and safety is an enduring priority for me and my management team. Our deepest desire is to see every employee return to his or her family unharmed at the end of each day and we will always remain committed to that objective.

CORPORATE SOCIAL RESPONSIBILITY

For more information see our Corporate Social Responsibility Report 2013.

See page 42 for more information

GROUP VALUES

We updated and strengthened our group values, particularly in light of events surrounding our electronic monitoring contracts with the UK Ministry of Justice which are being investigated by the Serious Fraud Office (SFO). We commissioned an independent review of these contracts by a global law firm which has found no evidence of criminal wrongdoing. We have also cooperated with the SFO to support its work. With strong sponsorship from the Group Executive team, we are rolling out a programme in 2014 which is designed to strengthen understanding of, and compliance with, our group values. This programme addresses the values described opposite and includes training for senior managers and specific objectives in their 2014 performance contracts.

We developed and launched a new human rights policy and guidance for managers in 2013. Given the services we provide and the sometimes challenging environments in which we work, this was a significant priority for the Group Executive.

Every two years, we conduct a group-wide management and employee survey. Feedback from our workforce is an important element of our management process and in 2013, 384,000 colleagues responded to our global employee survey, providing us with a rich source of information about the business and our people which we are able to use in developing our plans and employee engagement programmes.

OUTLOOK

The outlook for the group is positive. There is strong demand for G4S' services across the world, particularly in emerging markets, and we have a clear and focused strategy to address this demand.

We have taken clear action to address long-standing issues and have introduced wide-ranging changes to strengthen our business. We can now look to the future with increasing confidence, focusing on the growing demand for G4S' services that underpins our plans to deliver sustainable, profitable growth. That confidence is reflected in the board's recommendation to maintain the dividend.

Ashley Almanza
Group Chief Executive Officer

GROUP VALUES: SUPPORTING OUR STRATEGY

CUSTOMER FOCUS

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

BEST PEOPLE

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

INTEGRITY

We can always be trusted to do the right thing.

EXPERTISE

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

PERFORMANCE

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

TEAMWORK AND COLLABORATION

We collaborate for the benefit of our customers and G4S.

SAFETY FIRST

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

These pages provide an overview of the Strategic report as approved by the G4S board (see page 83).

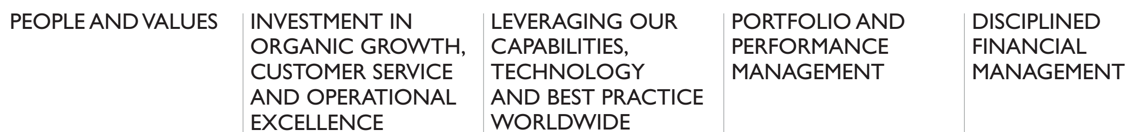
STRATEGY

With operations on six continents and 618,000 employees, we are the leading global integrated security company.

Our strategy is market led. We satisfy our customers' needs by understanding their strategic objectives and designing and delivering innovative solutions which support their goals.

Details of our strategic execution are set out on pages 16 to 27.

EXECUTION: PEOPLE, INVESTMENT, EXCELLENCE

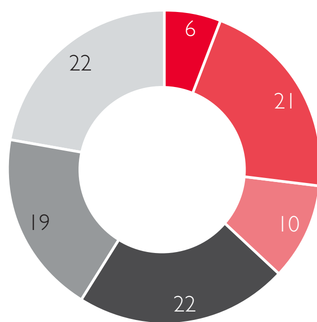


Strategic execution pages 16 to 27

OUR CUSTOMERS, SERVICES AND MARKETS

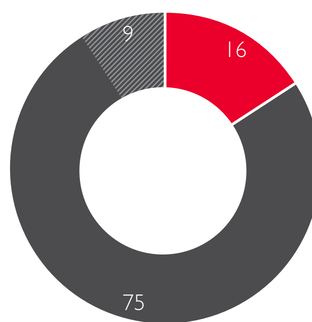
% of 2013 revenue by:

REGION



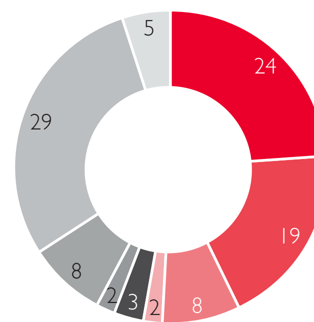
- Africa
- Asia Middle East
- Latin America
- Europe
- North America
- UK & Ireland

BUSINESS SERVICE



- Cash solutions
- Secure solutions
- Care & Justice services

CUSTOMERS



- Government
- Financial institutions
- Utilities
- Transport
- Ports & airports
- Leisure
- Retail
- Major corporates
- Consumers

Our strategy is customer focused across a wide range of industries and commercial and government customers. We have a diverse range of services to meet our customers' requirements and have a broad geographic footprint to meet demand for security around the world.

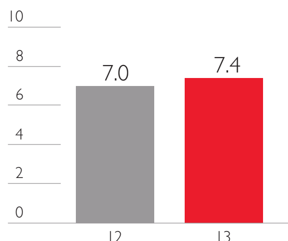
G4S at a glance page 10

PERFORMANCE

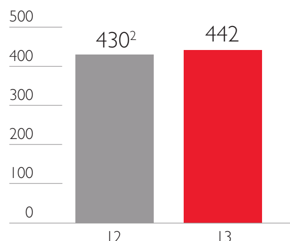
2013 was a year of consolidation for the group as we dealt with long-standing issues and made wide-ranging changes to strengthen the group and laid foundations to support sustainable, profitable growth.

FINANCIAL KPIs

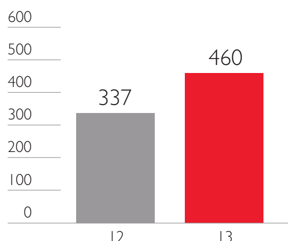
UNDERLYING REVENUE (£bn)



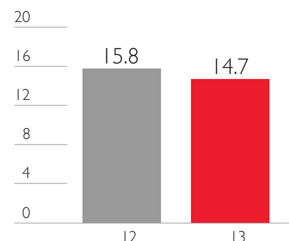
UNDERLYING PBITA[1] (£m)



CASH GENERATED BY CONTINUING OPERATIONS (£m)



UNDERLYING EPS[1,3] (pence per share)



1 To clearly present underlying performance, specific items have been excluded and separately disclosed – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS 19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one-off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

3 Total loss per share was 24.9p (2012: earnings per share 2.9p) – see page 87 for details.

NON-FINANCIAL KPIs

In 2014, performance contracts for senior managers focus on financial performance, but also on personal objectives aligned to areas of focus such as:

- health and safety
- people and organisation
- operational excellence and customer service
- business development
- values

HR STANDARDS AND KPIs

We believe strong employee relationships help deliver excellent customer service. To ensure that G4S delivers on its commitments to employees, businesses are required to report monthly on key metrics relating to:

- health and safety
- industrial relations
- recruitment and employee retention

KPIs page 26/CFO's review page 84

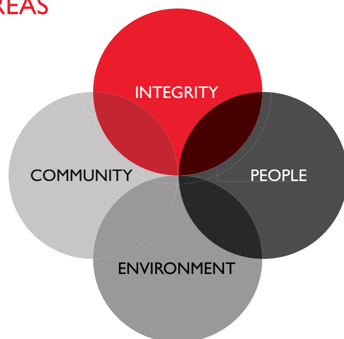
CORPORATE RESPONSIBILITY

It is our responsibility to make sure our impact on society is a positive one. We make a difference by helping people live and work in safe and secure environments. In 2013, we improved our risk management and programme assurance framework to ensure we properly evaluate all areas of how we do business.

2013 HIGHLIGHTS:

- Materiality review of CSR issues
- Launched human rights framework for all businesses
- Launch of road safety campaign called Driving Force Rules

OUR FOCUS AREAS



2014 PRIORITIES

- BUSINESS ETHICS AND ANTI-CORRUPTION
- HEALTH & SAFETY
- HUMAN RIGHTS

CSR page 42 or visit www.g4s.com/csr

G4S is the leading global integrated security company

SECURE SOLUTIONS

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

Risk services and consultancy	Risk management consultancy services including personal protection, training, mine detection and clearance services
Security systems	Access control, CCTV, intruder alarms, fire detection, video analytics and security and building systems technology integration
Monitoring and response	Key holding, mobile security patrol and response services and alarm receiving and monitoring facilities
Secure facilities services	Integrated facilities services for entire sites or estates for commercial customers and governments
Welfare to work programme	Assisting long term unemployed people into work
Manned security services	Trained and vetted security officers

CARE & JUSTICE SERVICES

Care & justice services is part of secure solutions and offers highly specialised services to central and local governments and government agencies and authorities:

Juvenile and adult custody	Management of all aspects of a facility and those held within the facility – similar centres are also used for the detention of asylum applicants
Prisoner escorting	Transportation of prisoners and asylum applicants between courts, police stations and custody and asylum centres
Asylum services	Management of housing provision and other services for asylum applicants
Electronic monitoring	Electronic tagging and monitoring of offenders at home or in the community
Police services	Back office support functions for police forces, support for front line policing including the provision of custody suite services and forensic medical services

CASH SOLUTIONS

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

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

CONTRACTS AND RELATIONSHIPS

G4S has a very diverse contract portfolio. The duration of contracts varies from annual sporting events to 25-year private prison contracts. In cash solutions, most contracts are annual, with those contracts requiring a higher capital intensity being usually five years in duration or longer.

In practice many relationships become long-term and result in contracts being renewed year after year.

See page 33 for more information

MARKET AND STRATEGY

G4S is a global provider with a top three position in around 80 of the 100 manned security markets in which we operate.

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

We aim to:

– Use our expertise, service delivery and integration together with our geographic coverage to differentiate our business to customers

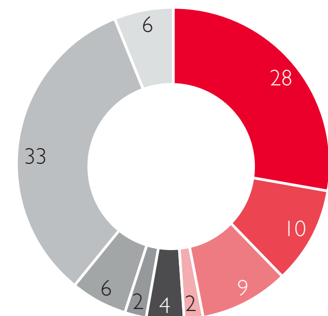
– Drive outsourcing and enhance the value of traditional security services through greater use of technology (see page 25)

Revenue

£5,567m

(2012: £5,314m)

CUSTOMERS (SECURE SOLUTIONS) (% of revenue)



Government*
Financial institutions
Utilities
Transport
Ports & airports
Leisure
Retail
Major corporates
Consumers

* Including care & justice services.

MARKET AND STRATEGY

Care & justice services delivers more than 10% of secure solutions revenue. While the care & justice services market is concentrated primarily in the UK, US, Australia and New Zealand, we see a number of countries exploring the possibility of outsourcing these services to the private sector.

The market structure is typically consolidated on the supply side with a small number of providers. Larger companies are usually better equipped to deliver such highly specialised services.

Revenue

£653m

(2012: £553m)

See page 33 for more information

MARKET AND STRATEGY

G4S is the market leader or number two in 57 of our 61 secure cash transportation markets. Our main international competitors are Loomis and Brink's in most developed markets and local companies in emerging markets. Our cash solutions business is integrated into our wider organisation and processes through shared customers, management structures and systems in many countries. The market is highly regulated, often by central banks, and the business requires complex infrastructure and significant expertise.

We aim to:

– Play a key role in the management of the cash cycle on behalf of central banks, commercial banks and retailers, allowing them to focus on their core business

– Use our developed market cash cycle expertise and track record to encourage central bank and financial institution outsourcing in emerging markets

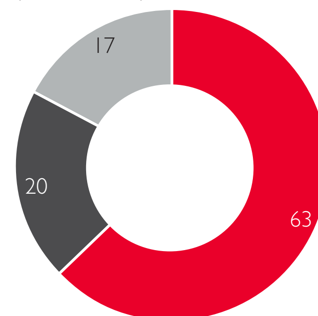
– Continue the roll-out of innovative technology such as CASH360™ for retail customers (see page 25)

Revenue

£1,208m

(2012: £1,157m)

CUSTOMERS (CASH SOLUTIONS) (% of revenue)

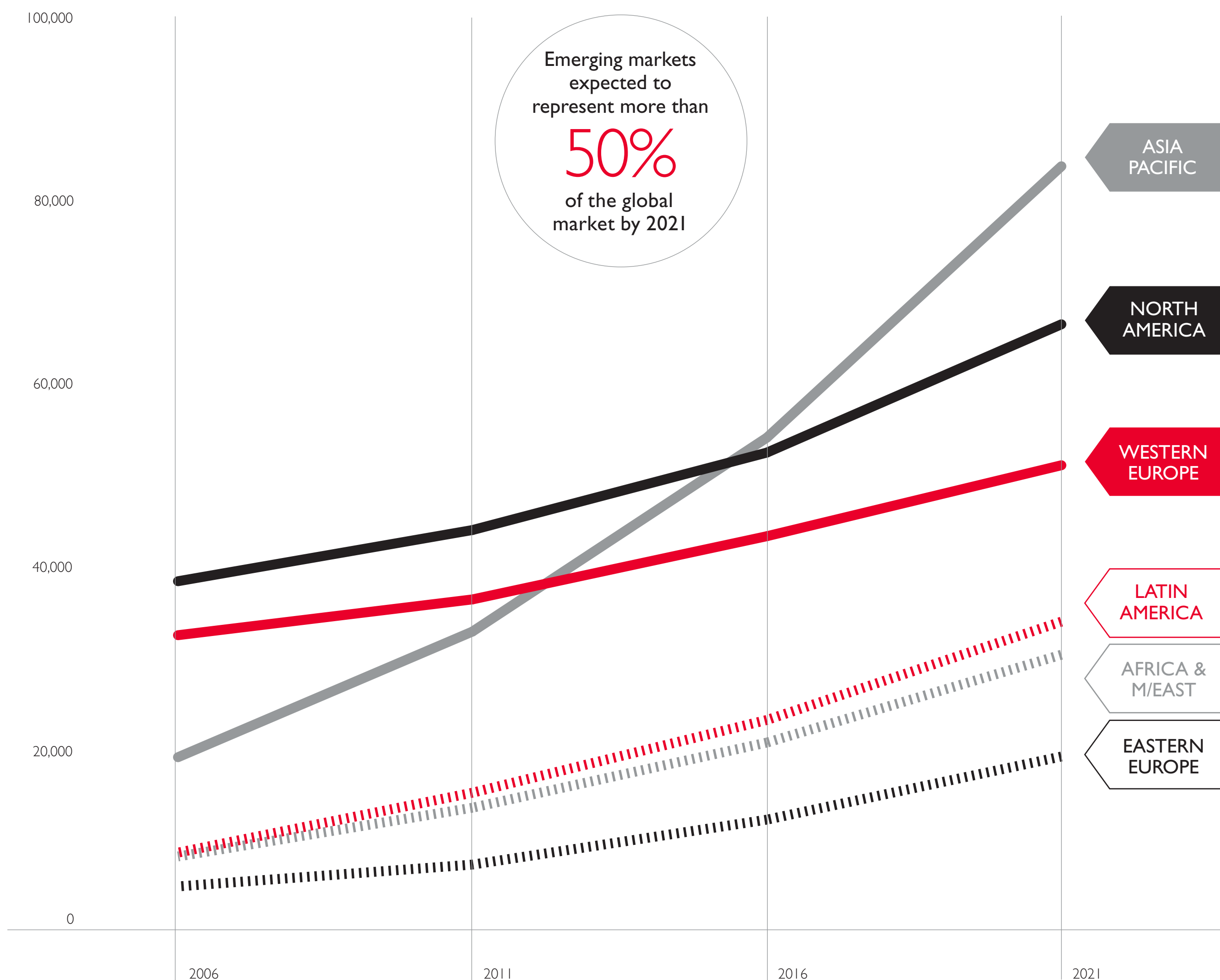


Financial institutions
Retailers
Other

The market opportunity

According to market research consultancy Freedonia Inc, global demand for private security services will increase between 2011 and 2016 by 7.3% annually to $213 billion. Growth drivers include GDP and population growth, regulation and crime levels.

GLOBAL SECURITY MARKET BY REGION ($m)



Source: Freedonia World Security Services report January 2013 excluding residential security.

Our market positions

We have a truly global business with large established market positions in developed markets and outstanding positions in fast growing emerging markets. Our emerging market businesses accounted for 37% of group revenues in 2013 and 44% of profits.

NORTH AMERICA

G4S North America is predominantly an integrated secure solutions business for commercial customers, with some government contracts including juvenile detention services and border protection. It has recently launched an innovative cash management solution for retail customers, CASH360™ (see page 25), and is selling its classified US Government business. We employ around 54,000 colleagues in North America.

G4S Revenues	Total security market size in 2011*
18%	$44bn

UK & IRELAND

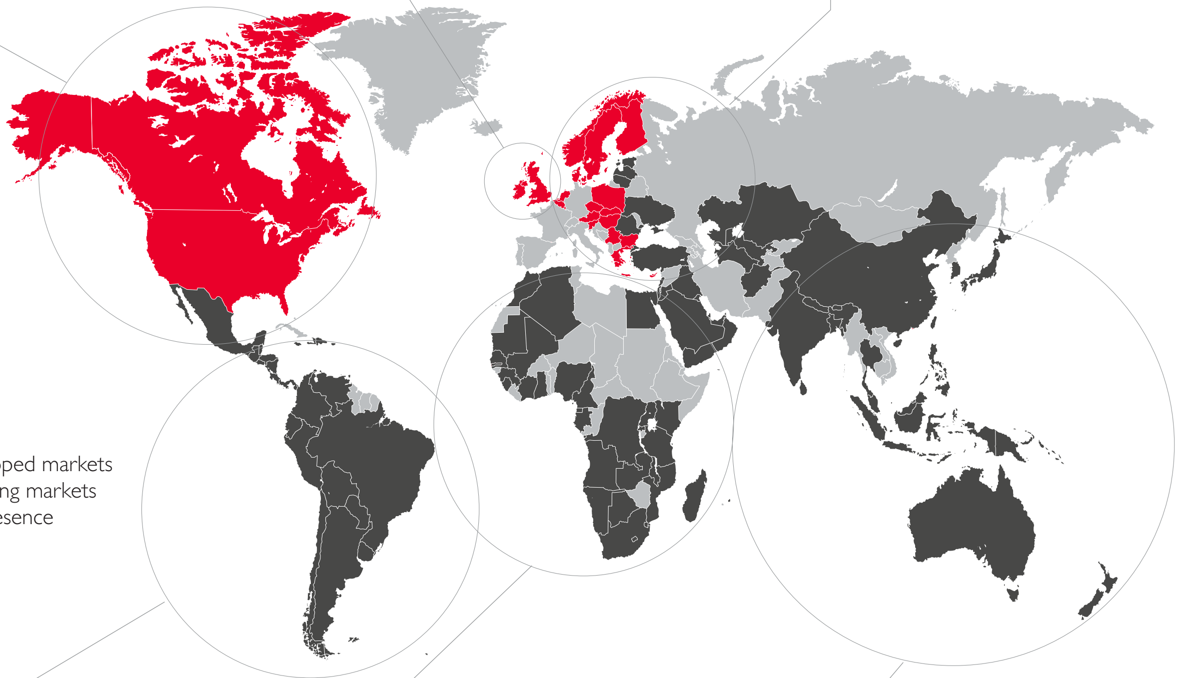
G4S UK & Ireland is the UK's leading security provider of cash and secure solutions with a broad range of expertise covering specialist event security, government outsourcing, including care and justice services, and cash solutions. The region employs 39,000 people.

G4S Revenues	Total security market size in 2011*
22%	$7bn

EUROPE

G4S Europe has activities in Scandinavia, Benelux, Southern Europe, Eastern Europe and Central Asia. It has 67,000 employees and strong market positions in cash solutions and around 20% of revenues are security systems related.

G4S Revenues	Total security market size in 2011*
22%	$37bn



LATIN AMERICA

G4S is a leading integrated cash solutions and secure solutions provider for commercial customers across Latin America and government customers in Brazil, with Brazil, Colombia and Argentina being its largest markets in the region by revenue. We employ around 74,000 colleagues in Latin America.

G4S Revenues	Total security market size in 2011*
10%	$15bn

AFRICA

G4S is the largest provider of integrated security solutions in the region, with operations in 25 African countries with more than 118,000 employees. We focus on core sectors in the region, particularly telecommunications, aviation, mining, oil & gas, embassies and ports as well as post-conflict humanitarian work with government agencies and NGOs.

G4S Revenues	Total security market size in 2011*
7%	$8bn

ASIA MIDDLE EAST

G4S is the leading security provider in the Asia Middle East region with operations in 32 countries and employing 266,000 people. Our largest countries by revenue are India, Saudi Arabia and Australia.

G4S Revenues	Total security market size in 2011*
21%	$39bn

* Source: Freedonia and G4S estimates excluding residential security.

Robust business model

Our business model is market led; everything begins with the customer. We seek to understand our customers' strategic and commercial objectives so that we can design and deliver security solutions which support them. Our aim is to create sustainable shareholder value through the consistent achievement of excellence in three areas: customer service, operational performance and financial management.

PERFORMANCE DELIVERY

We foster a high performance culture which focuses on service excellence, operational management and financial performance. High performance leads to strong customer relationships, motivated employees and achievement of strategic goals – critical elements of delivering sustainable, profitable growth.

SOLUTIONS DESIGN

By analysing customer needs and bringing together our expertise in market sectors, technology, project management and service delivery we design solutions which help our customers to manage risks, improve service, protect people and assets and achieve their own organisational objectives.

CUSTOMER UNDERSTANDING

Understanding customer needs is central to our success. This enables us to align our organisational objectives to those of the customer and means we can help our customers to be successful. See pages 10 and 11 for our customer segments.

Delivering high service levels across our core services helps us to deepen customer partnerships over the long-term and creates opportunities to work with customers to meet their existing and increasingly complex security needs.

MARKET DEMAND

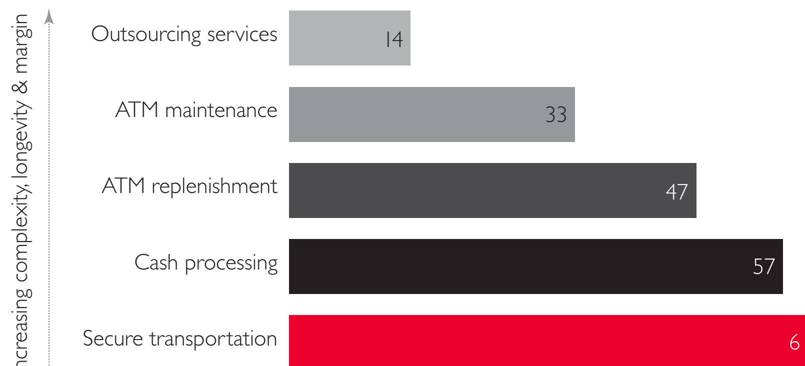
There is strong demand for our core services of secure solutions, cash solutions and care & justice services across the world. See pages 10 and 11 for our market positions.

SCALE & CAPABILITIES

With 618,000 dedicated employees and operations in 120 countries, our ability to deploy skilled staff on a global basis to support local and international customers is central to our business model. This coverage means we can share learning and experiences across our markets to the benefit of our customers and our business. We work in line with relevant international standards and strive to achieve consistent high quality employee engagement, health and safety, training and ethical business practices across our operations.

Part of the group strategy is to design and deliver more sophisticated security solutions for customers for both secure solutions and cash solutions. In many of the countries in which we operate, there is still great potential to sell more complex solutions which tend to have longer contract terms and higher margins.

G4S CASH SOLUTIONS: UNIQUE BREADTH AND REACH



Closely aligned to our values

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

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

TEAMWORK & COLLABORATION
We collaborate for the benefit of our customers and G4S.

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

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

INTEGRITY
We can always be trusted to do the right thing.

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

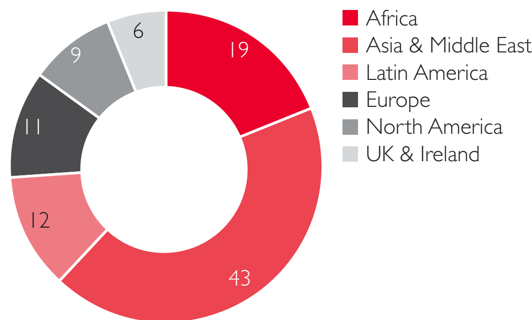
G4S SECURE SOLUTIONS: POSITIONED FOR FUTURE DEVELOPMENT

Number of G4S countries around the world

People and values

AT THE HEART OF OUR STRATEGY

G4S HAS A DEDICATED WORKFORCE OF OVER 618,000 EMPLOYEES AROUND THE WORLD (%)



G4S employees by region as at end Dec 2013.

Our culture is defined by our values, beliefs and behaviours. We seek to embed our values in all aspects of our operations and they form part of our recruitment, development and review processes. Managers and employees are encouraged and expected to behave in line with the group's values and to speak up when witnessing behaviour which does not meet our standards.

OUR GROUP VALUES: SUPPORTING OUR STRATEGY

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

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

Integrity – We can always be trusted to do the right thing.

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

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

Teamwork and collaboration – We collaborate for the benefit of our customers and G4S.

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

In 2014, we have introduced a new value to focus specifically on the safety of our colleagues and those around us. This is supported by a number of key safety initiatives and campaigns designed to increase awareness of health and safety matters, learn from best practice and prevent health and safety incidents.

See pages 44 and 45 for further information on health and safety initiatives.

WELFARE TO WORK

To date, G4S Welfare to Work has helped 35,077 long-term unemployed people in the UK into jobs. We estimate this has saved the UK tax payer more than £120 million per annum. The vast majority of people that we have assisted had been out of work for at least nine months, with many having been out of work for a number of years.

G4S CASH SOLUTIONS

We are one of the leading cash solutions companies in the world and are either number one or two in secure cash transportation in 57 of the 61 countries in which we operate. For example, across the Asia Middle East region, we provide customers with a broad range of services including servicing and replenishing over 38,000 ATM and cash deposit machines.

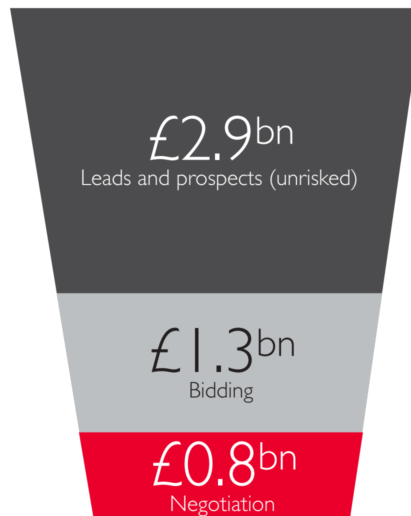
Investment in customer service, operational excellence and organic growth

LARGE, GROWING SALES PIPELINE

We benefit from structural growth in the demand for our products and services around the world and that is reflected in our sales pipeline, which currently stands at £5 billion per annum.

We are in many more markets than our competitors – typically with higher emerging market exposure.

We have higher value added services in our portfolio, and there is potential for us to extend our high value services into more of our markets. We continue to innovate through the use of technology and process know-how to create new products and services. We are investing in improving our sales systems, customer account management, sales leadership and sales resource in some of our core markets in order to service strong market demand.



As at March 2014.

G4S HAS AVIATION OPERATIONS IN MORE THAN 40 COUNTRIES, FOR OVER 80 AIRLINES AND FOR 120 AIRPORTS

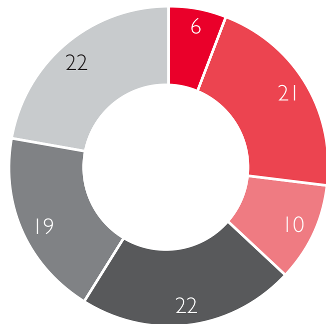
Aviation contracts won in 2013 included Charleroi airport in Belgium, renewed contracts with British Airways, and renewal and extension of the Dubai airport security contract.

Leveraging our capabilities worldwide

REVENUE BY REGION (%)

Growth potential

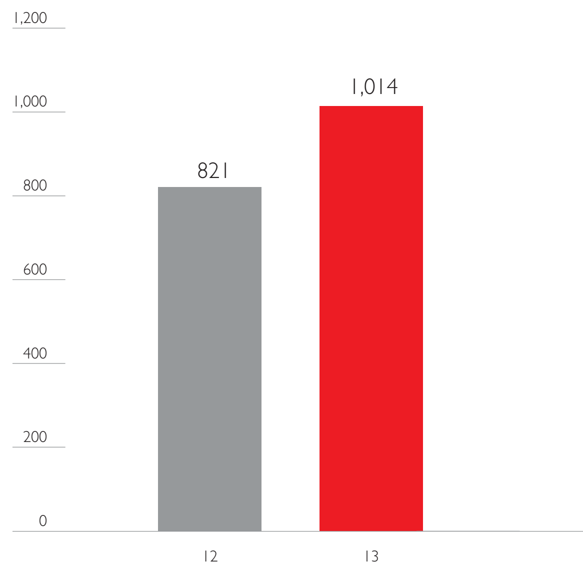
5% to 8%



- Africa
- Asia Middle East
- Latin America
- Europe
- North America
- UK & Ireland

REVENUE FROM KEY SECTORS (£m)

£1,014m

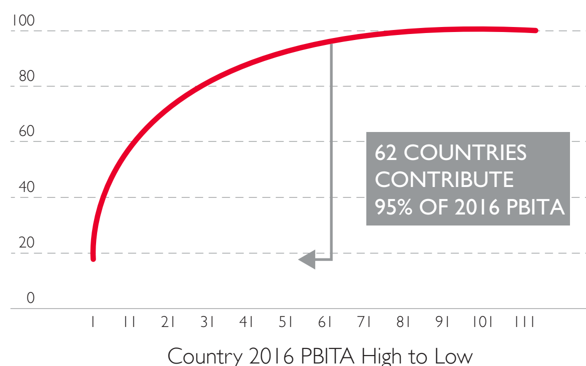


We have a truly global business with established market positions in developed markets and strong positions in rapidly growing emerging markets. Our emerging markets businesses account for 37% of group sales today and this proportion is expected to increase in the future. Overall, we believe that the scale and quality of the global market opportunity supports organic growth potential of around 5% to 8% per annum for the foreseeable future.

We invest in developing security services in sectors where security and safety are strategically important to customers – such as ports, mining, oil and gas and aviation. Through our investment in these sectors we have seen combined revenues increase over 23% during the year and these have more than doubled since 2009 to over £1 billion in 2013. We are now working to further embed this sector expertise within our regional structure. For more information see www.g4s.com/sectors

Portfolio and performance management

FORECAST G4S PBITA IN 2016 BY COUNTRY
Cumulative PBITA (%)



Rigorous measurement and monitoring of our performance is vital to ensuring we are delivering sustainable profitable growth.

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

	Number of businesses	2013 Rev (£m)	2013 PBITA (£m)	2013 Margin (%)	Proceeds to date (£m)
November 2013	35	425.6	13.3	3.1	0.0
31 March 2014	26	214.2	12.3	5.8	30.0

Looking at the materiality of contribution (growth, PBITA, cash generation and turnaround potential), we identified 35 businesses which required action to be taken to realise full value for shareholders through turn around, restructuring or disposal. We have made good progress, selling or closing six businesses and restructuring three during 2013 and early 2014. In the process, together with the sale of the Canada cash solutions and Colombia secure archiving businesses we generated net proceeds of £124 million. We expect further progress will be made in 2014 with the remaining businesses which are under review.

By actively managing our business portfolio, we can ensure that we maintain our strategic focus – deploying our capital and best people to the best opportunities (see CEO review page 4).

We are also strengthening the link between performance and reward (see Directors' remuneration report pages 64 to 72). The group's budget is set in the context of the longer-term business plan which supports our strategy. From December 2013, each of our senior managers across the group has a performance contract which clearly defines how he or she (and his or her team) will contribute to the overall success of the group.

SHELL

In September 2013, G4S signed a strategic global framework agreement with Shell International Limited to provide security solutions to the energy and petrochemicals company on a call off basis potentially in more than 30 countries.

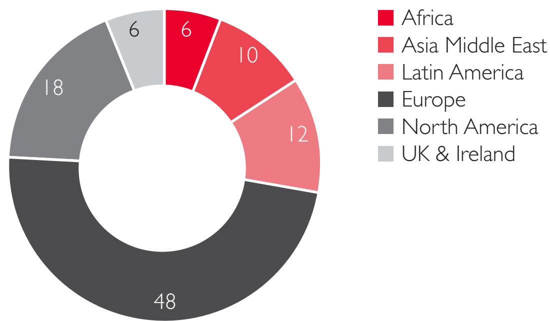
The five-year contract, with the option of a further two years, is one of the group's largest global framework contracts.

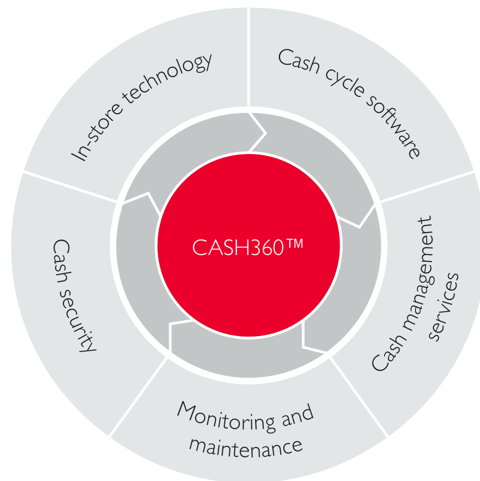
SYMMETRY

Our Symmetry product is an access control and building management system. It is used by nearly every major industry and secures everything from a two-door building to large corporations spread across the globe. The system can easily be expanded as a company grows and includes integrated video, intrusion and threat level management, workflow designs and intelligent controllers.

Technology & innovation

2013 SECURITY SYSTEMS REVENUE (%)





Our technology products and services are focused on the deployment of customer-facing security systems and software which is designed to protect customers and their assets and to provide customers with management information to achieve their objectives, typically through revenue enhancement, cost reduction or risk management.

There are areas of technology excellence in parts of G4S with proven intellectual property. This presents us with the opportunity to leverage this know-how more widely across the group including in emerging markets which currently account for 28% of the group's systems revenue.

In addition, we develop technology and know-how to ensure that we deliver our commitments to customers efficiently.

CASH360™

CASH360™ is one of our customer-facing technology solutions, providing an end-to-end cash management solution to G4S' retail customers. Launched in 2010, it now has around 3,000 customers with more than 5,400 solutions sold across four continents. South Africa, the Netherlands and Belgium grew between 34% and 101% in 2013. During 2013, we also launched CASH360™ in the United States.

KEY PERFORMANCE INDICATORS

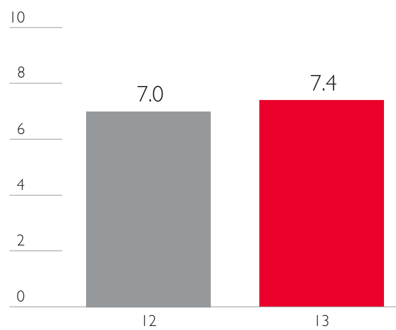
Disciplined financial management

FINANCIAL KPIs

The group measures its performance on an underlying basis as, in the board's opinion, this provides the most meaningful analysis of the group's performance. The CFO review on pages 84 to 89 sets out the commentary on the total performance for the year.

The group's financial key performance indicators (KPIs) are revenue growth, operating cash flow, PBITA and EPS.

UNDERLYING REVENUE* (£bn)

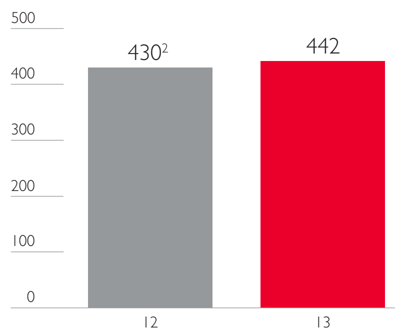


Underlying revenues grew 5.8% to £7.4bn including the contribution from acquisitions in 2012 and 2013. G4S revenues grew 4.7%* organically in 2013. Organic growth was assisted by strong growth in emerging markets of 14% but partly offset by weak macroeconomic conditions in Europe (see page 31). Based on the structural growth characteristics of our markets and strong customer demand for our services, we aim to achieve organic growth of between 5% and 8% per year in the long-term.

See page 19 for a description of our investment in organic growth.

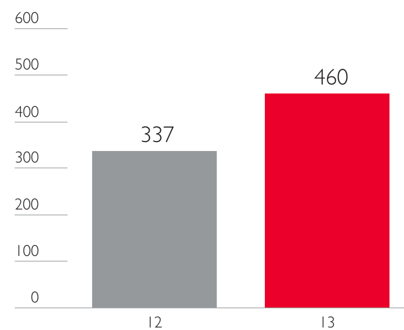
* (excluding the Olympics contract).

UNDERLYING PBITA[1] (£m)



We are focused on delivering sustainable, profitable growth. PBITA measures how successful a company is at generating profit from its operating activities (before taking into account interest, tax and amortisation of acquisition-related intangible assets). In 2013, PBITA grew 2.8% despite challenges in some developed markets, helped by a strong performance in emerging markets.

CASH GENERATED BY CONTINUING OPERATIONS (£m)



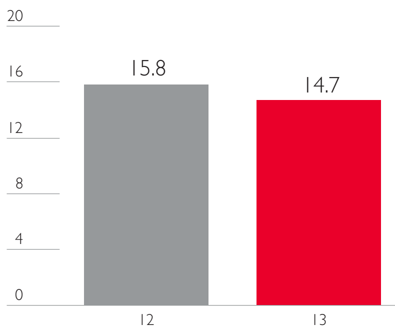
Operating cash flow measures how successful the business is at managing its operating capital. We are focused on improving all areas of the operating cash cycle.

1 To clearly present underlying performance, specific items have been excluded and separately disclosed – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one-off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

See pages 84 to 89 for more information

UNDERLYING EPS[1,3]
(pence per share)



Underlying earnings were £214 million in 2013 (2012: £222 million) down 3.6%. With the average number of ordinary shares up 3.5% to 1,452 million (2012: 1,403 million) underlying EPS declined 7% compared to 2012, to 14.7 pence.

3 Total loss per share was 24.9p (2012: earnings per share 2.9p) – see page 87 for details.

NON-FINANCIAL KPIs

Managers across the group are also incentivised to achieve additional objectives which are agreed on an individual basis and are usually linked to business plan milestones. In 2014, performance contracts of senior managers focus on financial performance, but also on personal objectives aligned to the following areas:

- Health and safety
- People and organisation
- Operational excellence and customer service
- Business development
- Values

All objectives and targets are focused on driving sustainable profitable growth.

HR STANDARDS AND KPIs

We believe that strong employee relationships help to deliver excellent customer service. Our businesses are required to report monthly on key metrics relating to:

- Health and safety
- Industrial relations
- Employee retention
- Recruitment rates

See pages 42 to 47 for some of our key CSR KPIs and our progress against them in 2013. More detail can also be found in the 2013 G4S CSR report.

2013 Business review

G4S is managed through a functional and geographic organisational structure.

EXECUTIVE COMMITTEE

For more details of the group executive team please see pages 50 and 51.

1. Ashley Almanza
Chief Executive Officer

2. Eddie Aston
Regional CEO – UK & Ireland

3. Andy Baker
Regional President – Africa

4. Irene Cowden
Group HR Director

5. Grahame Gibson
Regional CEO – Americas (North America and Latin America)

6. Graham Levinsohn
Regional CEO – Europe

7. Søren Lundsberg-Nielsen
Group General Counsel

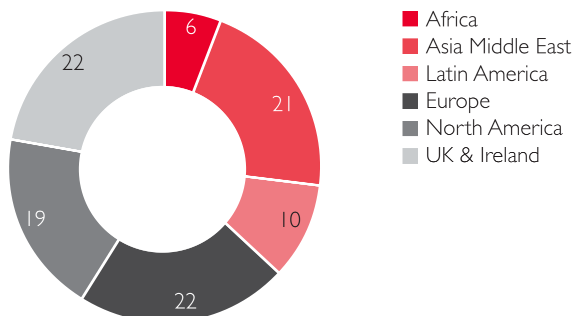
8. Himanshu Raja
Group Chief Financial Officer

9. Dan Ryan
Regional CEO – Asia and Middle East

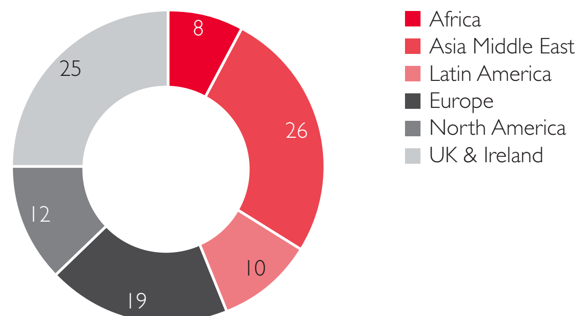
10. Debbie Walker
Group Communications Director

2013 FINANCIAL PERFORMANCE BY REGION

REVENUE (%)



PBITA (%)



UNDERLYING FINANCIAL PERFORMANCE

The group's segmental analysis of underlying performance is set out below, adjusting for the effect of the review of the carrying value of assets and liabilities as set out on page 86.

At constant exchange rates	Revenue £m			PBITA £m			Margins %		Organic growth
	2013[1]	2012[2]	Change %	**2013[1]**	2012[2]	Change %	**2013[1]**	2012[2]	
Africa	**486**	435	11.7%	**39**	30	30.0%	**8.0%**	6.9%	**7%**
Asia Middle East	**1,567**	1,331	17.7%	**129**	104	24.0%	**8.2%**	7.8%	**18%**
Latin America	**717**	615	16.6%	**48**	39	23.1%	**6.7%**	6.3%	**11%**
Emerging Markets	**2,770**	2,381	16.3%	**216**	173	24.9%	**7.8%**	7.3%	**14%**
Europe	**1,648**	1,674	(1.6%)	**92**	108	(14.8%)	**5.6%**	6.5%	**(2%)**
North America	**1,358**	1,352	0.4%	**56**	68	(17.6%)	**4.1%**	5.0%	**0%**
UK & Ireland	**1,652**	1,617	2.2%	**122**	129	(5.4%)	**7.4%**	8.0%	**1%**
Developed Markets	**4,658**	4,643	0.3%	**270**	305	(11.5%)	**5.8%**	6.6%	**0%**
Total Group before Head office costs	**7,428**	7,024	5.8%	**486**	478	1.7%	**6.5%**	6.8%	**5%**
Head office costs				**(44)**	(48)				
Total Group	**7,428**	7,024	5.8%	**442**	430	2.8%	**6.0%**	6.1%	**5%**

Footnotes 1 and 2 also apply to pages 30 to 32.

1 To clearly present underlying performance, specific items have been excluded and separately disclosed – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

TOTAL FINANCIAL PERFORMANCE

The group's segmental analysis of statutory results is presented below and is consistent with note 6 of the consolidated financial statements (page 106). The impact of the review of assets and liabilities and restructuring costs are excluded from both the current year and the prior year statutory results. The prior year statutory results exclude the impact of the Olympics revenue consistent with the disclosure in note 6.

At constant exchange rates	Revenue £m			PBITA £m			Margins %		Organic growth
	2013[3]	2012[4]	Change %	**2013[3]**	2012[4]	Change %	**2013[3]**	2012[4]	
Africa	**486**	435	11.7%	**39**	34	14.7%	**8.0%**	7.8%	**7%**
Asia Middle East	**1,567**	1,331	17.7%	**129**	105	22.9%	**8.2%**	7.9%	**18%**
Latin America	**717**	615	16.6%	**48**	46	4.3%	**6.7%**	7.5%	**11%**
Emerging Markets	**2,770**	2,381	16.3%	**216**	185	16.8%	**7.8%**	7.8%	**14%**
Europe	**1,648**	1,674	(1.6%)	**92**	114	(19.3%)	**5.6%**	6.8%	**(2%)**
North America	**1,358**	1,352	0.4%	**56**	73	(23.3%)	**4.1%**	5.4%	**0%**
UK & Ireland	**1,652**	1,625	1.7%	**122**	145	(15.9%)	**7.4%**	8.9%	**1%**
Developed Markets	**4,658**	4,651	0.2%	**270**	332	(18.7%)	**5.8%**	7.1%	**0%**
Total Group before Head office costs	**7,428**	7,032	5.6%	**486**	517	(6.0%)	**6.5%**	7.4%	**5%**
Head office costs				**(44)**	(47)	(6.4%)			
Total Group at constant exchange rates	**7,428**	7,032	5.6%	**442**	470	(6.0%)	**6.0%**	6.7%	**5%**
Foreign exchange	**–**	(8)		**–**	–				
Total Group at actual exchange rates	**7,428**	7,024	5.8%	**442**	470	(6.0%)	**6.0%**	6.7%	

3 To clearly present underlying performance, specific items have been excluded and disclosed separately – refer to page 86 for a reconciliation to total results.

4 2012 results are reported here at constant exchange rates (but reconciled to actual rates), exclude specific items but are presented before the impact of the review of assets and liabilities in 2013.

All tables show underlying performance at constant exchange rates.

AFRICA

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013[1]**	2012[2]	Change %
486	435	11.7%	**39**	30	30.0%

In Africa revenues grew 12% and organic growth was 7%. PBITA increased 30%, benefiting from overhead efficiency and restructuring programmes.

The acquisition of Deposita in January 2013 and the addition of CASH360™ devices and ATM engineering services to our cash solutions business in South Africa have enabled us to sell comprehensive end-to-end solutions in that market. We are now positioned as the market leading cash solutions business in South Africa and are able to deploy this capability into African and other markets.

Across the region, new contracts won include the Port of Tangiers in Morocco, Anglogold in Ghana, Tenke Mining in DRC, a FM contract with Rio Tinto and a secure solutions contract with the United Nations in Southern Sudan.

The group has strong market positions across Africa and a healthy product portfolio to support sales in 2014, especially in the areas of cash management, manned security and technology solutions. The bidding pipeline in Africa is diverse and includes sectors such as financial services, mining, embassies and other government agencies, with increasing numbers of both multi-country and larger scale bids. The region is continuing its restructuring programme into other parts of Africa in 2014 and is recruiting additional talent to ensure the region has the capacity to address the market opportunities.

ASIA MIDDLE EAST

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013[1]**	2012[2]	Change %
1,567	1,331	17.7%	**129**	104	24.0%

Revenue growth in Asia Middle East was very strong at 18% and PBITA increased 24%, reflecting a greater contribution from our care & justice services businesses in Australia and New Zealand, improved profitability in our risk services businesses in Iraq and Afghanistan and a strong profit improvement across the Middle East.

Revenue growth accelerated in the second-half of the year due partly to a step-up in service volumes at the Manus Island processing centre. Following the Australian elections held in September 2013 and the change in government, we were advised that the Manus Island contract would end in March 2014. We won demining and risk management contracts to service a number of international oil companies in Iraq and won or started a number of secure solutions contracts in the UAE for key customers including the Abu Dhabi Education Council, Etisalat, Formula 1, the Road Transport Authority and Dubai airport.

We began investing in our technology sales and delivery capability in the Middle East so that we are able to deploy our proven products and expertise in delivering comprehensive electronic security solutions to clients. Our business in Saudi Arabia won important contracts in the banking, ports and real estate sectors. Across the region we are systematically reviewing organisational structures and business processes. This review is well advanced in India, the largest country in the region, and is enabling us to streamline operations, reduce layers of management and overhead and to invest in sales and operational capability.

See footnotes on p.29

LATIN AMERICA

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013[1]**	2012[2]	Change %
717	615	16.6%	**48**	39	23.1%

Revenue growth in Latin America was 17% and PBITA increased by 23% despite economic challenges in the region, including a slow down in economic growth in Brazil, with a rigorous price increase programme to mitigate inflation and government mandated wage increases. Following the appointment of a new Regional President, Martin Alvarez, in October 2013 we have continued to build management capacity across the region.

Organic revenue growth was 11% with a number of contract wins in the ports, car manufacturing, transportation, financial services, government and extractives sectors in Latin America.

We sold our Colombia secure archiving business for £34 million in 2013.

EUROPE

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013[1]**	2012[2]	Change %
1,648	1,674	(1.6%)	**92**	108	(14.8%)

Our European management team has recently been strengthened with the appointment of Graham Levinsohn as Regional CEO, with effect from November 2013.

In Europe revenue declined by 1.6% driven by challenging market conditions primarily in secure solutions in the Netherlands and in Eastern Europe, with growth in Western Europe secure solutions and cash solutions offset by declines in most Eastern European markets. PBITA was 15% lower, adversely impacted by wage inflation and by the closure of 23 prisons and other cost reductions by the Ministry of Justice in the Netherlands. During 2014 we will be seeking to improve alignment between salary and price increases in Eastern Europe.

In the fourth quarter, we accelerated our restructuring programme to reduce our cost structure and strengthen our competitive positions in a number of key markets. The programme includes the rationalisation of management and back-office structures and over the course of 2013 and 2014 we plan to invest £23 million in the Netherlands, Belgium, Greece, Finland and other countries.

The region has early revenue momentum into 2014, with new contract wins and solid customer retention. Secure solutions contract wins include contracts for Charleroi airport in Belgium and Google in Finland, partly offsetting the loss of a Finnish retail customer. In January 2014, we renewed a nine year cash solutions contract with the Dutch Railways.

In care & justice services, our pipeline is strong and our Austrian business began a £5 million per annum immigration contract for 15 years in December 2013. We also won an electronic monitoring contract in Bulgaria and an Agip-Shell security contract in Kazakhstan.

Our cash solutions businesses in Europe performed well overall. A strong performance was achieved in Belgium and in the Netherlands including a number of new retail contracts and CASH360™ gains offset by contract losses in the first-half of the year in Finland and the Baltics. G4S cash solutions supported the smooth introduction of the Euro in Latvia towards the end of the year. In January 2014, G4S won the majority of Geldservice Nederland's (GSN) cash solutions business in the Netherlands for five years, valued at c€50m per annum. GSN serves the major banks in the Netherlands and is their provider of cash counting, handling and logistics, including the maintenance of cash devices.

Revenues for the security systems business, which accounts for around 20% of European secure solutions revenues, remained broadly in line with 2012. Systems contract wins include a maintenance contract for the European parliament in Luxembourg and a major systems contract with Lego in Hungary. The region has an increased focus on security and cash solutions technology, with the aim of deploying our proven technology solutions from elsewhere in the group into key European markets.

The region made good progress on its portfolio review, selling its Slovakian cash solutions business in 2013. The sale of our Norway business for £29 million was also agreed in 2013 and completed in January 2014.

We have a diverse European contract pipeline with areas such as ports, aviation, transportation and healthcare being particularly strong. Our investment in sales and business development capability is designed to sustain and strengthen this pipeline over time.

NORTH AMERICA

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013**[1]	2012[2]	Change %
1,358	1,352	0.4%	**56**	68	(17.6%)

Revenues in the North America region grew 0.4% and organic growth overall was broadly unchanged with 2% growth in US commercial security and 10% growth in youth services offset by US Federal sequestration reducing new and additional federal government work in secure solutions and in the G4S Technology business.

Against a background of uncertain US Government spending, commercial contract wins remain robust with major contract awards from Amazon, Bank of New York, Simon Malls, Navistar, Liberty Mutual, MetLife, Georgia Pacific, the Millstone (Dominion) nuclear power plant in the US and more recently Toronto Hydro, Imperial Oil, and PTI in Canada.

PBITA for the region was 18% lower, impacted by sales mix, with lower revenues in the technology businesses (Federal spending impact) and reduced border patrol volumes. Results in 2012 also benefited from one-off protest protection work for banks. Our US technology business has been restructured to increase sales in the commercial sector.

In the United States we continued to see increasing interest in our retail cash solutions product, CASH360™, with two small contracts awarded recently.

The implementation of the Affordable Care Act in the US has been delayed for large businesses. We do not expect it to have a material impact on G4S as the majority of our US employee healthcare plans are already broadly compliant.

Overall, the North American business has a strong contract pipeline with over £500 million in near-term opportunities across all sectors and a visible long-term contract pipeline of around £1.2 billion.

Good progress was made in the region on rationalising the portfolio. We sold our cash solutions business in Canada for £60 million in January 2014.

UK & IRELAND

Revenue £m			PBITA £m		
2013[1]	2012[2]	Change %	**2013**[1]	2012[2]	Change %
1,652	1,617	2.2%	**122**	129	(5.4%)

We have reorganised the UK & Ireland region into market-facing business units of cash solutions, secure solutions, central government solutions, facilities management and outsourced services and we continued to make a number of new management appointments to senior line and function roles.

There was revenue growth of 2% in UK & Ireland, with organic growth of 1%, principally due to good growth in the police outsourcing and utilities businesses offset by lower revenues in Ireland and the UK cash solutions business.

PBITA was 5.4% lower due to revenue mix, particularly from lower revenues in the UK cash solutions business. As discussed previously, significant restructuring programmes are being implemented in UK cash solutions, Ireland cash solutions and secure solutions covering branch networks (Ireland and UK cash solutions), organisational design and operational labour efficiency. Overhead headcount was reduced by more than 5% in the second-half of 2013. The cost of restructuring is £34 million and is expected to pay back within the next two years.

UK contracts won during 2013 include being selected by the Department for Work & Pensions (DWP) to manage the Child Maintenance Options Contact Centre Service, provision of security at the G8 Summit in June, Pennine Hospital facilities management, and our first contract to provide secure patient transport services under a three-year contract with Northumberland, Tyne and Wear NHS Foundation Trust. Other recent contract awards include Derbyshire and Nottinghamshire Police Forensic Medical Services and Avon and Somerset police custody suites.

Against the backdrop of a highly competitive commercial security market, we won new contracts with key commercial customers such as a security contract with Bank of America, a new global framework agreement with Shell covering 30 countries and we retained our security contract with British Airways. The UK events security business successfully supported the UK Police Service of Northern Ireland (PSNI) at the G8 Summit held at Lough Erne in Northern Ireland in June, delivering a range of specialised security solutions.

In cash solutions, we retained important contracts with HSBC and Barclays and have expanded our outsourcing partnership with Lloyds Banking Group, taking over the management of their Edinburgh cash processing centre.

We reached full and final settlement with the UK Government on the electronic monitoring contract and two smaller contracts and have made significant progress on our programme of corporate renewal in the UK. The renewal programme is embedded within our overall corporate programme and is not anticipated to give rise to significant additional cost.

See footnotes on p.29

SERVICE LINE OPERATING REVIEW

Secure solutions

At constant exchange rates	Emerging markets £m			Developed markets £m			Total %		
	2013[1]	2012[2]	Change %	2013[1]	2012[2]	Change %	2013[1]	2012[2]	Change %
Revenue	**2,235**	1,918	16.5%	**3,985**	3,949	0.9%	**6,220**	5,867	6.0%
Organic growth	**15%**	8%		**0%**	7%		**5%**	7%	
PBITA	**158**	119	32.8%	**213**	235	(9.4%)	**371**	354	4.8%
Margin %	**7.1%**	6.2%	0.9%	**5.3%**	6.0%	(0.7%)	**6.0%**	6.0%	0.0%

The secure solutions businesses delivered 6% growth in revenue driven by 17% growth in emerging markets and a solid performance in developed markets. Trading conditions in some developed markets, in particular in Europe, remain challenging and we have begun restructuring these businesses to strengthen business performance in the medium term. Lower US Federal government spending affected our secure solutions and systems businesses and our US systems business has been restructured to increase sales in the commercial sector. Emerging markets grew strongly across all regions and increased PBITA 33% helped by contract mix, price increases and cost efficiencies.

Cash solutions

At constant exchange rates	Emerging markets £m			Developed markets £m			Total %		
	2013[1]	2012[2]	Change %	2013[1]	2012[2]	Change %	2013[1]	2012[2]	Change %
Revenue	**535**	462	15.8%	**673**	695	(3.2%)	**1,208**	1,157	4.4%
Organic growth	**12%**	8%		**(3%)**	(1%)		**3%**	3%	
PBITA	**58**	54	7.4%	**57**	70	(18.6%)	**115**	124	(7.3%)
Margin %	**10.8%**	11.7%	(0.9%)	**8.5%**	10.1%	(1.6%)	**9.5%**	10.7%	(1.2%)

The cash solutions business grew by 4% with 16% revenue growth in emerging markets offset by a decline in developed markets, principally due to a weaker performance in the UK and Ireland cash solutions businesses. These businesses are being restructured and we expect an improved performance in 2014.

Emerging markets PBITA grew 7% notwithstanding new dual vendor policies for major Malaysian banks and price competition in Colombia.

1 To clearly present underlying performance, specific items have been excluded and separately disclosed – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one-off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

Managing risk effectively

Our aim is to deeply embed risk management disciplines which support effective strategy execution

OUR RISKS

The market sectors in which G4S provides security services present unique operational and health and safety risks which must be managed effectively in order to provide value to customers and to protect our employees. The breadth of countries in which G4S operates, together with continuing uncertainty of global economic conditions, also presents financial control and commercial risks similar to those of other multinational companies.

HOW WE MANAGE OUR RISKS

Our risks are captured in a global risk reporting information system. These risks are reviewed and updated twice a year by the operating companies. The Group Executive Committee and Board Risk Committee review the most significant risks on a regular basis and the board regularly reviews the overall impact of these major risks on the group's activities.

WHAT WE DID IN 2013

As announced by the board in September 2012, G4S started a thorough review of its risk management processes and systems during 2013 and will continue to make further improvements during 2014.

During the year the company established a Board Risk Committee and created a separate risk management function for the group, appointing a group director of risk and programme assurance and a group head of risk. These responsibilities were previously undertaken by the group head of internal audit. The new Board Risk Committee appointed Deloitte to conduct a review of the group's risk management processes and then charged the group director of risk and programme assurance to develop a plan to respond to the findings and recommendations. During the year, Regional Risk and Audit Committees were established to be responsible for assessing risk at a regional level and for monitoring the mitigation of risk and addressing internal and external audit matters at a regional level.

WHAT WE WILL DO IN 2014

Regional Risk and Audit Committees will meet quarterly, the first meetings having taken place in January 2014. A new approach to assessing risks has been defined and during 2014 this is being implemented across the business, supported by an updated risk management information system. This system will better support the risk identification, assessment and action tracking process as well as providing enhanced risk reporting at all levels of the group.

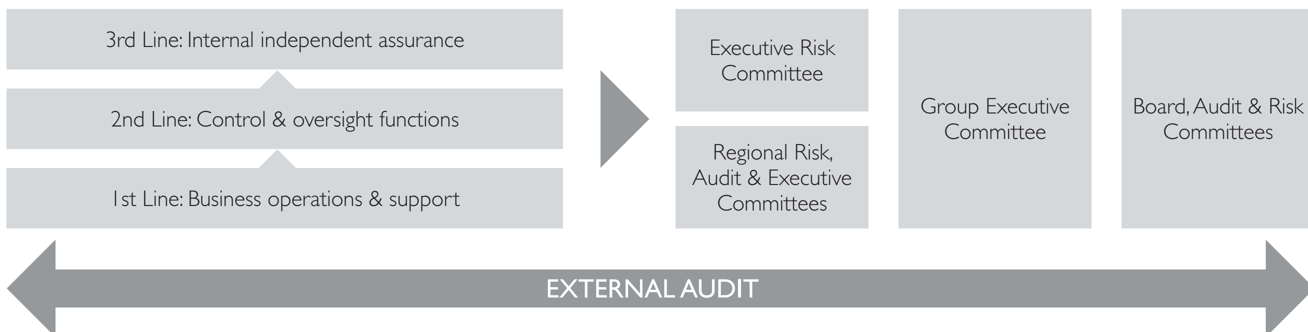
As a service business many of our risks stem from the contract bidding, mobilisation and service delivery lifecycle. In the first quarter of 2014, new processes for contract take-on and on-going assurance will be implemented to give greater scrutiny to the delivery of the group's most complex contracts. Based on contract style, complexity and risk profile, these processes will ensure that, at all stages throughout the lifecycle, expert challenge, oversight and approval are given at regional, group or board level as appropriate.

Our goal in making these changes is to embed more deeply an effective risk management culture to support strategy execution and to provide enhanced governance over critical business decisions.

ENTERPRISE RISK MANAGEMENT GOVERNANCE MODEL

Operating companies	Regional Risk and Audit Committees	Executive Risk Committee	Board Risk Committee	Board Audit Committee	Board
Our operating companies identify and assess the risks to their business objectives and plan appropriate mitigating actions. These are recorded in our group-wide risk management tool.	Risk and Audit Committees in each region meet quarterly to review regional level risks; review progress of mitigating actions; and to review audit reports, financial control status reports, internal financial reviews and balance sheet integrity and any accounting judgements.	The Executive Risk Committee meets three times per year and considers the group's principal residual risks and the progress of mitigating actions.	The Board Risk Committee meets three times per year to set the group's risk appetite; to assess the group's principal residual risks; and to assess progress on the improvements being made to enterprise risk management.	The Board Audit Committee meets four times per year to ensure that the group's control framework is operating effectively.	The board has the ultimate responsibility for assuring our risk management processes. It reviews our most critical risks and controls, either directly or through its Risk and Audit Committees.

LINES OF DEFENCE



We employ three lines of defence to control and manage risks across the group. The responsibility for the first line sits with the managers of our businesses, whether line management or financial support. The senior management team within each business is responsible for implementing and maintaining appropriate controls across their business to ensure the standards expected by the group, our customers and other stakeholders are met. The business managers are supported by oversight functions at both regional and group level including Risk, Finance and Legal which together make up the second line of defence.

The third line is designed to detect or prevent unexpected outcomes and comprises the group risk and internal audit functions. Together these provide independent assurance over the design and operation of controls. As part of its annual programme of work, the internal audit function conducts regular reviews of risk management processes and gives advice and recommendations on how to improve the control environment.

Our external auditors provide independent oversight of the entire process.

CONTRACT RISK MANAGEMENT GOVERNANCE MODEL

Bid risk assessment	Bid approval	Contract mobilisation	On-going contract assurance	Group internal audit	Board
Based on financial, legal, reputational and operational risk criteria, the opportunity is referred to the region, group or board for review and approval.	Appropriate challenge is given to the bid's customer value proposition, commercial terms and risk mitigation strategy. The expected risk return of the bid is assessed before approval is given or withheld.	Based on the complexity and risk profile of mobilisation, appropriate methodologies and project management resources are applied. Key contractual requirements and risk mitigation strategies are mapped to accountable contract managers.	Based on the commercial scale and level of risk, contracts are subject to regular on-going scrutiny at regional or group level.	Internal audit conducts audits of selected contracts.	The board will undertake occasional reviews of the most significant contracts.

What are the key risks faced by G4S?

During January 2014 the Regional Risk and Audit Committees met to agree the regional principal residual risks. These meetings were facilitated by group risk management and identified the risks to each region's strategic business objectives and to on-going business operations. The meetings were informed by the country level risks recorded in the group's risk management systems.

Group risk management and the CFO consolidated these risks and identified common themes and regional risks which were material to the group. These group principal residual risks were reviewed and approved by the Executive Risk Committee and the Risk Committee of the board.

The potential impact of each risk was assessed on a 1 to 5 scale against five criteria: strategy, financial, reputation, service delivery, and health and safety, with the highest score being the overall impact. The likelihood of each risk over the next year, or to three year strategic goals, was also assessed on a 1 to 5 scale. The risks detailed in the following pages are those which in aggregate scored 3.5 or higher on both impact and likelihood. Detailed descriptions are provided of each risk, its movement since last year, its potential impact and the mitigation strategies being employed by the group.

Movement since 2012	Risk description	Mitigation
CULTURE & VALUES ◆		
There has been a strong emphasis from the board, the CEO and the group executive committee on the importance of the company's values underpinning everything we do. Progress has been made in this area, but reinforcing the core values across a diverse and globally spread workforce takes considerable effort.	G4S provides security to people, premises and valuable assets. In its care & justice services businesses it also provides services which interact with detainees, victims of crime, those on state assistance, vulnerable people and other members of the public. This requires our staff to conduct themselves with the utmost integrity. We operate in 120 countries around the world with a diversity of local and national cultures. These factors mean that having a strong set of corporate values that unite the organisation, deeply embedded in our culture, is of particular importance. If we fail to behave in accordance with the high standards that we set ourselves there is a risk that we will not deliver on our commitment to customers, and fail to comply with legislation and international standards. We may also compromise the safety and security of our employees and the assets or people that we are protecting. This can lead to penalties, failure to renew contracts and ultimately reduced profitability and damage to our global brand and reputation.	We have in place high ethical standards and policies which we expect our staff to observe globally and these are reinforced through awareness and training programmes and monitored through audit, whistle-blowing and trading reviews. Senior managers' performance contracts and bonuses are in part based upon adherence to our values. During 2013, our new CEO and the executive team has reiterated the importance of our values in delivering customer service and sustainable shareholder value. During 2014 we will be examining our HR processes to ensure that they fully support our values; we are refreshing our whistle-blowing policy; and we will continue to reinforce the group values at every opportunity. Compliance with the values is assessed through performance reviews, trading reviews, business self-assessments and audit.

- ▲ Increased risk
- ▼ Reduced risk
- ◆ No change

Movement since 2012	Risk description	Mitigation
HEALTH & SAFETY ◆		
There has been a heightened focus by the board, the CEO and the group executive committee on the importance of health and safety.	The provision of security services, often in hostile or dangerous circumstances across such a broad diversity of countries, presents particular health and safety challenges. The protection of our staff, people in our care and third parties, including the public, is of utmost importance. The principal health and safety risks are work-related attacks and road traffic accidents. In 2013, 55 (2012: 59) employees lost their lives. We are committed to strengthening our health and safety systems, processes and cultures. Fatalities and serious injuries to our staff impact not only the individuals concerned, but also their families, loved ones and other dependents.	The Group Executive team is leading a programme to strengthen safety leadership and safety practices across the group, including: – Critical country reviews: conducting detailed assessments and developing mitigation plans in those countries and operations where we have identified the greatest risks. – Establishing a new group wide standard for health and safety management systems. – Health and safety resource: We made a number of new appointments across the group and at the beginning of 2014 we had 110 dedicated health and safety professionals, assisting us to reduce health and safety risks. – Safety leadership training and awareness is now mandatory for all senior managers. In addition, each member of the Group Executive team (and each of their teams) has specific health and safety performance objectives in 2014. – In support of our health and safety programme, we have established a new group value called Safety First.
PEOPLE ◆		
G4S' human resource processes are well established and effective. Nevertheless, there will always be challenges in attracting and retaining employees.	We are a people business and we take great care to ensure that we employ the best people to deliver quality services to our customers. As the largest employer listed on the London Stock Exchange, employing 618,000 people worldwide, and the largest security solutions provider in the world, our customers choose G4S because of the level of screening, training, integrity and trustworthiness. In a global and diverse business such as ours, there are risks associated with recruiting, robust screening, motivating, developing and training, as well as appropriately rewarding and retaining our critical talent. Failure to recruit and retain key managers and staff and to motivate and develop them can impact service delivery, customer retention and business management, which in turn can adversely affect our financial performance.	We use rigorous recruitment, selection, screening and induction processes and standards to ensure that we employ the best people, with the right values, for the requisite roles. Standards are set by group human resources and measured and enforced through a combination of regular staff surveys, country self-assessments, monitoring of regional and country specific KPIs and independent audits: all driving constant improvements in processes. Attracting and developing the right talent is the key to our success and we have a process for identifying high potential employees and putting in place career development plans to promote them into more senior positions. We engage our employees through our PRIDE model: **P** rotect their basic needs **R** espect them as individuals **I** nvolve them in the business **D** evelop their skills and potential **E** ngage them fully

Movement since 2012	Risk description	Mitigation
BRAND/REPUTATION ▲		
The nature of the services we provide means that we are often in the public eye. However, the issues which have arisen around a number of our high profile contracts over the last two years have undermined the company's brand and reputation, particularly as a trustworthy strategic supplier to the UK Government.	The company's brand is well known and associated with high quality security services around the world. However, recent events in the UK had an adverse impact on our reputation, in particular with the UK Government. Furthermore, as detailed in the chief executive's review, our performance under certain UK electronic monitoring contracts was referred to the Serious Fraud Office (SFO). There is a risk that until our reputation is sufficiently repaired and the SFO investigation concluded, our sales pipeline could be impacted. The first key step to repairing our reputation is rebuilding the confidence of the UK Government in G4S as a strategic supplier. There is a risk that the changes we are implementing to this end take time to be accepted as sufficient by the UK Government.	We continue to cooperate fully with the SFO investigation. In addition, we have an on-going programme of corporate renewal. This is supported by the broader changes being made across the group to leadership, governance and contract management and assurance; as well as by the heightened focus on corporate values and ethics. In order to ensure timely progress this programme is being monitored directly by the group executive and the board and being independently reviewed by a firm of accountants on behalf of the UK Government. At individual region and country level there is a strong focus on delivering excellent customer service in order to protect and enhance our local brand and reputation. We are investing in the strengthening of our risk management, audit and customer service capacity.
MAJOR CONTRACTS ▲		
The company's strategy is to provide integrated security solutions to customers, which often results in taking on more complex contracts. The company is implementing improvements to bid assessment, programme management and assurance and new contract management processes. These will take time to bed in.	The group has a number of long-term, complex, high value contracts with multi-national, government or other strategic customers. The company's growth strategy includes a greater focus on higher value, and more technology-rich services. This will increase the complexity and individuality of customer requirements and contracts. For such contracts there are risks to the group accepting onerous contractual terms; mobilising contracts well; transitioning effectively from mobilisation to on-going contract management; delivering to contractual requirements; managing complex billing arrangements; managing contract change control; and managing sub-contractors. Failure to ensure effective contract take-on, mobilise successfully and manage complex contracts effectively throughout their lifecycles can impact customer satisfaction, reputation, revenue, cash flow, and profitability.	The company has tightened the criteria and level of scrutiny for regional and group level legal review of complex contracts during the bid cycle. The group has implemented a standardised approach to project management for complex mobilisations in the UK, which will be rolled out globally during 2014. External project management resource is utilised in cases when insufficient internal capability is in place. The group is also strengthening its processes for bid assessment, contract take-on and on-going contract assurance.

Movement since 2012	Risk description	Mitigation
DELIVERY OF CORE SERVICE LINES		
Our commitment to delivering sustainable growth and shareholder value is founded on delivering on our customer commitments. There is a continuous focus on this at the group executive. In addition, through the investments in the service excellence centres and within the regions and countries, we continued to make improvements in the processes and systems in many of our core businesses over the course of 2013.	We deliver our core secure solutions services in 100 markets and our core secure cash transportation services in 61 markets. A number of these businesses have been acquired over time, resulting in cultural differences, varying degrees of operational maturity and a multiplicity of information systems. This can create risks around core operational service delivery and supporting functions. Failure to meet the service delivery requirements of our customers, because we have not implemented the right solutions or followed appropriate agreed procedures, can create risks around cash losses; attacks on our staff, subcontractors or third parties; and the non-delivery of the service level agreements and KPIs agreed with our customers. Additional risks relate to business resilience, control systems, and the availability of critical systems, facilities and people to perform contractually agreed services. This can lead to financial penalties, and negatively impact customer retention and goodwill, to the detriment of financial performance.	We have developed the G4S Way, which defines best practice processes and standards for all aspects of service delivery with the aim of improving service excellence and margin. The G4S Way is being implemented globally across all our businesses. It sets out requirements for managing contract take-on and mobilisation; completion of risk assessments; management of security assignments at customer and site levels; and defines service delivery KPIs to measure compliance. Minimum guidelines have been set for key areas such as control room management; security officer communications; fleet routing and scheduling; resource planning and staff rostering; and escalation procedures for duress/attack/absence situations. Recent developments in our secure solutions business include deployment of our core operating system, Saturn, to efficiently match our security officer deployment to customer requirements. In our cash solutions business we have put in place a dedicated risk management team to ensure robust risk analysis and rectification of deviations from our minimum standards. Our countries are required to have business continuity and crisis management plans in place and to test them regularly. We are also making on-going improvements to the efficiency and effectiveness of supporting and control systems.
LAWS & REGULATIONS		
The products and services we provide are subject to the ever-changing legal landscape across the many jurisdictions in which we operate, requiring constant monitoring and change to ensure compliance.	G4S operates in many jurisdictions globally, within complex and diverse regulatory frameworks. An additional complexity arises from the extra-territorial reach of some of the legislation to which the company is subject. Risks include increasing litigation and class actions especially in the United States; bribery and corruption; obtaining operating licences; complying with local tax regulations; changes to employment legislation; complying with human rights legislation; and new or changed restrictions on foreign ownership. Risk also arises from new or changing regulations which require modification of our processes and staff training. The necessary changes to ensure continued compliance with applicable laws and regulations, or not being compliant, have far reaching consequences, including higher costs from claims and litigation; inability to operate in certain jurisdictions, either through direct ownership or joint ventures; loss of management control; damage to our reputation; and loss of customer confidence.	Each country in the group puts in place rigorous compliance policies, standards and controls, including training, to assure adherence to local laws, regulations and licence requirements. We review existing policies in light of changes to legislation and recent case law. The group has good procedures in place to ensure that our businesses are complying with anti-bribery & corruption legislation, including self-assessments; a training and awareness programme for staff in sensitive positions; an independent audit of the effectiveness of our procedures; and confidential reporting hotlines. We build positive constructive relationships with governments and related agencies by engaging in the legislative process directly and through local trade associations. Our aim is to support governments to craft legislation that achieves its aims in relation to our industry in as efficient and effective a way as possible.

Movement since 2012	Risk description	Mitigation
GROWTH STRATEGY ▲		
The group has placed a greater emphasis on higher value solution development and sales, underpinned by technology. It will take time to mobilise and build the right capabilities to deliver this strategy.	Our growth strategy is to leverage our expertise to expand our core service lines into more complex, outsourcing areas which increase long-term customer partnerships; to focus on organic growth opportunities with less reliance on acquisitions; and to leverage our expertise in security systems technology across key markets. There are risks that we will fail to optimise our product mix; fail to build the sales and solutions capability we need; fail to leverage our existing expertise and resources into the areas where we can best achieve organic growth targets; or that we will under-invest or invest in the wrong areas. Failing to create higher value solutions that differentiate us from local competitors could impact targeted growth in revenues and margins.	We are investing in sales and business development resources to support growth and to strengthen our solution selling capability. We have established a single capital pool for all key investments and have revised our investment approval processes to approve only those capital requests that demonstrate an appropriate balance of risk and return. This is designed to ensure we make the right investments to support the strategy. A revised major bid assessment process has been implemented which will ensure that the key opportunities which underpin our growth strategy are properly positioned, resourced and managed. Rigorous trading and performance reviews for each business unit enable us to monitor progress against our strategic goals on a periodic basis. Our on-going capability review process will ensure we build the right skills needed to underpin the delivery of the strategy.
GEO-POLITICAL ◆		
Given the wide range of countries in which the group operates there will always be some with a degree of serious political instability. We take great care with our operations in these countries to monitor the situation closely and respond appropriately.	We operate in 120 countries across the developed and developing world, with wide-ranging government and political systems, differing cultural landscapes, and varying degrees of rule of law; and within conflict and post-conflict zones. The risk factors range from political volatility, revolution, terrorism, military intervention and insurgency. The geo-political risks we face impact us in many ways: the health and safety of our staff and customers; the continued operation of our businesses; and the ability to secure our assets and recover our profits.	We have a great deal of experience of operating in a wide range of difficult territories. We collaborate with our local partners and/or agents; conduct early risk assessments before and during security assignments; have robust operating procedures; and work closely with our local and global customers in managing the risks of operating in such environments. We have a global process for assessing the geo-political risks of different countries which determines the types of customers we will serve and the types of services we will provide.

Movement since 2012	Risk description	Mitigation
INFORMATION SECURITY ▲		
The sophistication of cyber hackers increases continuously and the heightened high profile reputation of the group in the UK in particular make us a potential target.	G4S has an obligation to safeguard the information that our customers, partners and employees entrust to our care. Given G4S' high profile, we are at risk of cyber and physical attack by criminal organisations and individual hackers. Whilst we do have strong protection in place, the threat is increasing. If an attempt is successful, our information systems could be compromised or our information disclosed. A successful attack could result in: censure and fines by national governments; loss of confidence in the G4S brand and reputation; specific loss of trust by clients, especially those in government and financial sectors; disruption to service delivery and integrity, particularly in cash solutions operations.	G4S has cyber security controls in place to protect information. In 2013, we appointed a group head of information security who has developed a strategy to improve our information security maturity. This strategy will be rolled out across the group to reduce the likelihood of a successful attack and to increase the ability of G4S to detect and respond to attacks.
CASH LOSSES ▼		
Through the work of the service excellence centres working with the regions, improvements have been made to processes and systems in many of our cash solutions businesses over the course of 2013.	We have cash solutions businesses spread across the world responsible for cash held on behalf of our customers. We provide cash transportation from one site to another in high security vehicles, a range of cash management services including secure storage, counting, reconciliation and sorting of notes for ATMs, a range of ATM services and secure international transportation of cash and valuables. There are inherent risks in this business related to external attacks, internal theft and poor cash reconciliation. Cash losses can have a major impact for our customers and ourselves in respect of loss of profit, increased cost of insurance and health and safety considerations for our staff and the public.	Our cash solutions service excellence centre (SEC) works in collaboration with the regions to embed robust procedures into every cash business to mitigate cash losses. Innovative security defence products are in use, ranging from pavement box tracking to vehicle protection foam and protective pavement boxes. All cash transactions are subject to strict authorisation limits and we have very tightly controlled cash reconciliation procedures to ensure cash is fully accounted for and controlled and these procedures are subject to constant monitoring and audits. We also have a robust process to monitor all cash-related incidents through a team of security specialists and we ensure that lessons learned are shared through the SEC.

Why CSR matters to G4S

G4S plays an important role in society. We make a difference by helping people to operate in a safe and secure environment where they can thrive and prosper. Our size and scale mean we touch the lives of millions of people across the world and we have a duty and desire to ensure the influence we have makes a positive impact on the people and communities in which we work.

INTEGRITY
COMMUNITY
PEOPLE
ENVIRONMENT

COMMUNITY
- Social & economic impact
- Community investment

INTEGRITY
- Business ethics and anti-corruption*
- Human rights*
- Risk assessment
- Internal audit
- Whistle-blowing and reporting

ENVIRONMENT
- Energy & fuel efficiency
- Reducing carbon intensity

PEOPLE
- Health & safety*
- Diversity & inclusion
- Employee engagement
- Training & development

*OUR PRIORITY AREAS

BUSINESS ETHICS AND ANTI-CORRUPTION

HEALTH & SAFETY

HUMAN RIGHTS

See our CSR report for more information

Safeguarding our integrity

Integrity is one of the group's core values. Being a responsible business partner, employer, customer or supplier is an important part of our strategy and forms an essential foundation on which we carry out our business.

Why CSR matters to G4S

CSR is an important differentiator for the group and we find it increasingly important to customers as part of their process for evaluating and selecting a service partner – particularly given the sensitive nature of some of the services which customers require.

Our approach to CSR provides our customers with confidence that they are working with an organisation which respects laws and cultures, has high ethical standards, takes care of its employees and is a reliable and dependable partner.

Our CSR strategy

Every two years, we conduct a CSR materiality exercise which helps us to assess the current market environment, business challenges and most relevant CSR strategies. In 2013, we broadened the scope of this exercise to include a representative group of external commentators and stakeholders – seeking opinions from investors, NGOs and customers, in addition to our internal senior management and board members. This ensures that our strategies are aligned to stakeholder needs and the objectives of our business.

The process highlighted three core priority areas for 2014 – business ethics and anti-corruption, health and safety and human rights. Whilst these are our three highest priority and most material issues, we continue to focus on all aspects of CSR.

CSR management

Reflecting the value we place on CSR and on our reputation, our CSR Committee has been a full board committee since 2011, comprising a number of experienced non-executive directors who meet regularly to discuss CSR related matters. The committee is chaired by Clare Spottiswoode, a G4S non-executive director who has been a member of the CSR committee since 2010. Elements of our CSR strategy such as health and safety and human rights are also a regular subject for discussion at group executive committee and board meetings.

WHAT WE ARE DOING

Business ethics

To ensure that our employees understand how they can play their part in delivering high ethical standards across the group, we continue to reinforce a group-wide ethics code that sets out how we expect our employees to behave. The code is supplemented with a business ethics policy which provides a more detailed summary of the group's ethical standards of operation. The code and policy are reviewed each year, to incorporate evolving legislation

Human rights

We recognise the growing importance of human rights as a material business issue and believe that G4S can play a positive role in respecting human rights around the world. Our business can contribute positively to the realisation of human rights through the range of services we offer to protect people. We also recognise that we have a duty to ensure that we are not at risk of violating human rights through the services we provide, the customers we work with and the suppliers we use and through the fair and appropriate treatment of our own employees and others who are in our care.

Increasingly, customers and other key stakeholders are looking to companies such as G4S to demonstrate specific actions and practices which are aligned to internationally recognised human rights standards, such as the UN Guiding Principles on Business and Human Rights (2011), the Voluntary Principles on Security and Human Rights (2000), and the International Code of Conduct for Private Security Service Providers (2010). Our human rights framework aims to bring our existing practices into line with these standards and introduce new guidelines in areas which are not covered by existing policies and practices.

SAFEGUARDING OUR INTEGRITY

How we're performing
During 2013 we:

- Launched our human rights framework, based on the UN Guiding Principles on Business & Human Rights, introducing a systematic approach to human rights due diligence and risk assessment
- Conducted external review of risk management processes and implemented an action plan to increase group resources and improve systems and processes
- Established a board Risk Committee and a separate risk management function for the group
- Updated the risk assessment of the group's anti-bribery policies and controls
- Completed 111 on-site internal audits to measure compliance with G4S standards and controls
- Carried out an external review of internal audit with an action plan to increase audit staffing by 50% and expand its remit
- Enhanced communication of the group's Safe2Say whistle-blowing hotline through increased use of employee communications channels
- Improved the categorisation and reporting of issues raised through whistle-blowing reporting processes

Priorities for 2014

- Reinvigorate group values across all business practices and programmes
- Update and re-launch business ethics policy and compliance programme
- Continue to embed human rights risk assessment and due-diligence into our wider business processes
- Embed improved risk management processes across the group
- Implement governance, risk and compliance systems
- Complete planned increase in internal audit staffing and expanded remit
- Undertake audits of the group's human rights policy and guidelines for our high risk countries
- Complete a detailed review of whistle-blowing reporting arrangements covering the policy, process and systems
- Implement improvements generated by internal audit and group risk management reviews

Securing our people

As a service provider, our customers rely on us to have a motivated and healthy workforce. Keeping our employees safe, looking after their interests and treating them fairly are therefore vital to our on-going success.

Health and Safety
As one of the world's largest private employers, working in sectors where security and safety present a strategic risk, our responsibility to protect the health, safety and well-being of our employees is one of our highest priorities.

"It is not acceptable to us that any colleague is injured or killed in the line of duty."
Ashley Almanza, CEO.

We continue to focus on health and safety and have introduced a number of important critical review processes and improvements to specific practices in order to protect our employees in their workplace. These will continue to be a major area of focus for the group at every level in 2014.

Employee engagement
Our employee engagement strategy is based on the internally developed PRIDE model.

P rotect their basic needs
R espect them as individuals
I nvolve them in the business
D evelop their skills and potential
E ngage them fully

The strategy has been in place for a number of years and is the basis for our engagement policies and practices. To ensure that these policies are working and our employees are able to share their perceptions of the business and working environment, we conduct a global employee engagement survey every two years.

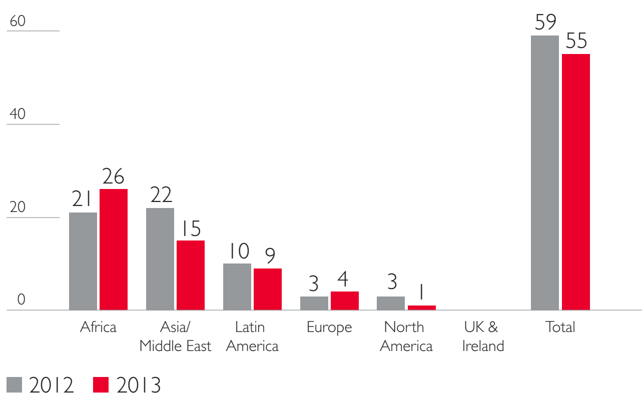
How we're performing

The most prevalent risks to the health and safety of our employees are from work-related attacks and road traffic incidents. Although the total number of work-related fatalities has reduced since 2011, our aim is to eliminate them altogether.

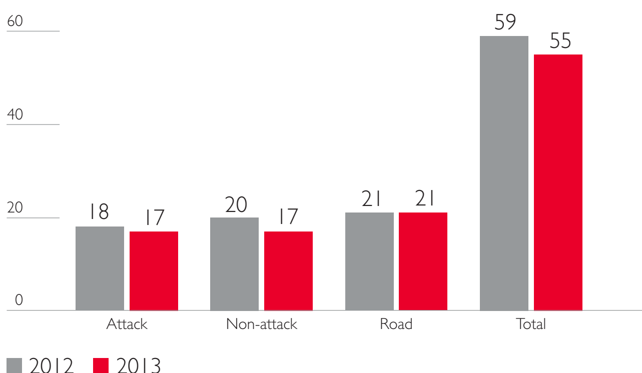
During 2013, we have:

- Completed three further critical country reviews of health and safety
- Introduced the Driving Force Rules campaign to promote safe driving, piloted in seven countries
- Improved incident reporting and investigation process
- Rolled out succession planning to all key management roles
- Piloted online performance reviews in a number of businesses
- Completed two talent review processes, assessing over 1,300 managers
- Continued extension of cultural awareness training tool
- Partnership working to increase employment opportunities for disabled people and veterans
- Completed a third global employment survey

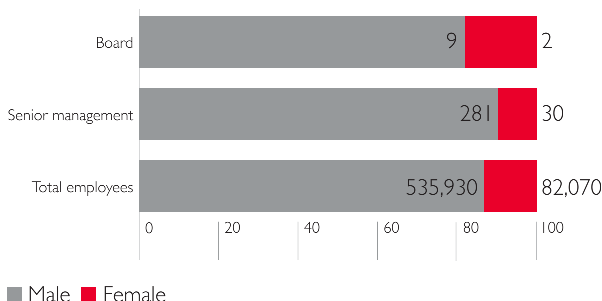
WORK-RELATED FATALITIES BY REGION



WORK-RELATED FATALITIES BY CATEGORY



GENDER DIVERSITY (%)



In 2013, over 380,000 employees shared their views of working for G4S. This represents a 62% response rate, up from 38% in 2011. Overall levels of engagement also improved from an average of 80% to 82%. Encouragingly, the number of favourable responses to questions related to health and safety showed the most positive increase since the last survey, although there is clearly a need for substantial further improvement. The results for the senior leadership survey were also positive, with 81% of senior managers participating and an overall favourable score of 83%.

Priorities for 2014

- Establish a new group value called Safety First – to ensure absolute focus on health and safety in everything we do
- Introduce performance related objectives linked to health and safety for our global leadership management group
- Roll out induction training for new health and safety practitioners on G4S policies and practices
- Complete further critical country reviews of health and safety
- Roll out the Driving Force Rules campaign to all businesses
- Continued monitoring of health and safety KPI data
- Launch the revised senior leadership programme
- Implement a new individual based development programme for people operating at a strategic level
- Development and implementation of the senior management on-boarding tool
- Extend the use of data captured on the talent management system
- Review opportunities for embedding cultural awareness training
- Increase diversity in talent pools and management population
- Analyse results from the 2013 global employee engagement survey and continue to implement the actions arising from the survey
- Continue to maintain good union and employee relations at all levels

Securing our environment

Our customers and employees demonstrate increasing concern for environmental issues. Whilst our environmental impacts are not significant relative to other businesses of comparable size, it remains important to us to be efficient in the use of resources and, in doing so, curtail our greenhouse gas emissions.

What we're doing

Since 2008 we have used WBCSD* and WRI GHG** protocols to measure our Scope 1 and 2 emissions – vehicle fleet, fuel, refrigerants and electricity usage for G4S businesses over which we have financial and operational control. In addition we have measured Scope 3 emissions from employee business air travel.

The businesses that reported data in our 2013 GHG measurement represent 94.5% of the group's operations, across an 11-month period. This level of measurement, including each of our main service types, allows us to calculate reliably the total GHG emissions for 100% of the group over a period of 12 months.

How we're performing

The G4S total carbon footprint, extrapolated to 100% of the business equates to some 559,000 t/CO_2e. Since we launched our climate action strategy in 2009, our carbon intensity has decreased by 23.5% per £m of revenue – exceeding our stated target of 20%. This reduction translates to a real reduction of 4.9% in carbon emissions against a 24.4% growth in the business during the same period, much of which includes carbon emissions from services which our customers have outsourced to G4S. This is a positive achievement which recognises the efforts made to increase the energy and fuel efficiency of our business.

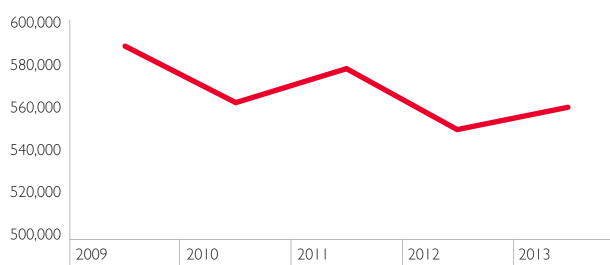
* World Business Council for Sustainable Development.

** World Resources Institute greenhouse gas.

GHG EMISSIONS

(Based on 94.5% measurement)	2012	**2013**
Vehicles (inc refrigerants)	316,000	**311,100**
Total buildings (inc refrigerants)	161,000	**173,200**
Including electricity emissions of	*115,000*	***128,500***
Air travel	23,500	**23,900**

TOTAL GHG EMISSIONS (t/CO_2e)



CARBON INTENSITY

	2009	2010	2011	2012	**2013**
Tonnes CO_2e per £m turnover	94.4	88.7	83.6	76.0	**72.3**

Priorities for 2014

- Continue to implement energy efficiency strategies with the aim of reducing carbon intensity by at least 4.5% per annum

For further details of our Climate Action Programme, please refer to our 2013 CSR Report or visit www.g4s.com/cap

Securing our communities

We recognise that our ability to provide a safe and secure environment around the world depends on the relationships we have with the communities and people with whom we work. We are therefore committed to working with charity and community partners to tackle issues which affect local communities, especially relating to health, education and welfare of young people. We have a long history of investing in the communities in which we live and work and to which we provide services and we recognise the importance of this role.

What we're doing

We seek to make a positive impact on the local communities in which our employees, customers and suppliers live and work. The social and economic impact reaches well beyond our working environment and touches the lives of millions around the world.

How we're performing

We conducted an academic study of the direct and indirect social and economic impacts of G4S in the UK, demonstrating support of 68,000 jobs across the country and a total gross added value of £1.95 billion contribution to the UK economy.

Building on the partnerships and investment that we have made in previous years, in 2013 we:

- launched G4S 4teen legacy community projects in Botswana, Colombia, Estonia, India, Nigeria, Philippines and Thailand following the conclusion of the six-year flagship G4S 4teen programme
- invested almost £2 million in charitable community programmes and welfare programmes for employees facing health or financial hardship

Comprising:

- Provision of goods, services and financial investment in more than 400 community programmes across 76 countries, with a combined value of almost £1.34 million
- Investment of £647,500 in projects which support the long-term welfare and development of employees in developing countries

	2013	2012
Corporate		
Corporate donations of money	**£931,900**	£921,700
Corporate donations of goods and services	**£406,500**	£459,500
Employee		
Employee and third-party donations facilitated by G4S	**£92,900**	£72,000
Employee volunteering facilitated by G4S	**26,000 hours**	30,000 hours
Employee welfare and development	**£647,500**	£641,000

Priorities for 2014

- Complete the development and launch of new community programmes across each of our regions
- Continue to build on wider community investment to demonstrate the impact on the people we strive to support
- Continue to support the welfare and long-term development of employees facing hardship
- Participate in further academic studies of the direct and indirect social and economic impacts of G4S within key markets

1. JOHN CONNOLLY

Non-executive director
Chairman of the board
Chairman – Nomination and Risk Committees
Joined G4S board: June 2012

Key strengths and experience: Extensive experience of working in a global business environment and in sectors of strategic importance to the group.

Developing the board and its governance of the group.

A chartered accountant, John spent his career until May 2011 with global professional services firm Deloitte, was Global Chairman between 2007 and 2011, and prior to that Global Managing Director between 2003 and 2007. He was Senior Partner and CEO of the UK partnership from 1999 until his retirement from the partnership.

Current external commitments: Chairman of AMEC plc and of a number of private companies. Beyond commercial business roles, he is on the Board of Governors of London Business School and a member of the CBI President's Advisory Council. He is also chairman of the appeal board for The Centre for Children's Rare Disease Research at Great Ormond Street Hospital.

2. ASHLEY ALMANZA

Executive director
Chief executive
Member – Risk Committee
Joined G4S board: May 2013

Key strengths and experience: Extensive board and executive management experience and strong track record working across international borders in complex businesses.

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

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

Current external commitments: Non-executive director of Schroders plc and Noble Corporation.

3. ADAM CROZIER

Non-executive director
Member – Audit and Nomination Committees
Joined G4S board: January 2013

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

Started his career with Mars before joining the Daily Telegraph followed by Saatchi and Saatchi, where he became joint chief executive. He then became chief executive of the Football Association and was subsequently appointed chief executive of the Royal Mail Group, where he oversaw an extensive programme of modernisation and change to enable the business to compete in the UK and international marketplaces. Since April 2010 he has been chief executive of ITV plc and was a non-executive director of Debenhams plc until 2012.

Current external commitments: Chief executive of ITV plc.

4. MARK ELLIOTT

Non-executive director
Senior independent director
Chairman – Remuneration Committee
Member – Nomination Committee
Joined G4S board: September 2006

Key strengths and experience: Extensive international board and executive experience having held a number of senior management positions in IBM, including leadership of IBM's operations in Europe, the Middle East and Africa with responsibility for operations in more than 110 countries.

Has particular involvement with the group's businesses in the Americas region.

General Manager IBM Global Solutions; Managing Director of IBM Europe, Middle East and Africa; member of the board of IBAX, a hospital software company jointly owned by IBM and Baxter Healthcare; chairman of Reed Elsevier's remuneration committee; chairman of the Dean's Advisory Council of the Kelly School of Business, Indiana University.

Current external commitments: Non-executive chairman of QinetiQ Group plc.

5. GRAHAME GIBSON

Executive director
Regional CEO – Americas
Joined G4S board: April 2005

Key strengths and experience: Extensive knowledge of the group and its predecessor companies in many different markets and in a number of executive functions. In addition to his board role, is also CEO of the Americas region.

Joined Group 4 in 1983, starting as finance director (UK) followed by a number of senior roles, including deputy managing director (UK), vice president (corporate strategy), vice president (finance and administration), vice president operations (central and south eastern Europe and UK) and chief operating officer of Group 4 Falck A/S. In 2004 he became the company's divisional president for Americas and New Markets and was chief operating officer between 2005 and 2012.

Current external commitments: Board member of the Ligue Internationale des Sociétés de Surveillance, the international association of leading security companies.

6. WINNIE KIN WAH FOK

Non-executive director
Member – CSR and Remuneration Committees
Joined G4S board: October 2010

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

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

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

Current external commitments: Senior adviser to Foundation Administration Management Sweden AB; non-executive director of Volvo Car Corporation; non-executive director of SEB AB, Kemira Oyj and HOPU Investments Co Ltd.

7. HIMANSHU RAJA

Executive director

Chief financial officer

Member – Risk Committee

Joined G4S board: October 2013

Key strengths and experience: Strong track record as a financial executive in a global services business.

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

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

Current external commitments: None

8. MARK SELIGMAN

Non-executive director

Deputy chairman

Chairman – Audit Committee

Member – Remuneration Committee

Joined G4S board: January 2006

Key strengths and experience: Extensive financial and management experience having worked in the financial services sector, with a focus on investment banking. Takes particular interest in the financial performance of the company, including its financing and transactional activity.

Qualified as a chartered accountant with Price Waterhouse. Senior roles at SG Warburg & Co Ltd and Barclays de Zoete Wedd; Head of UK Investment Banking at CSFB; Chairman of UK Investment Banking at Credit Suisse; member of the Credit Suisse Global Investment Banking Executive Board and senior adviser to Credit Suisse Europe.

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

9. PAUL SPENCE

Non-executive director

Member – Audit, CSR and Risk Committees

Joined G4S board: January 2013

Key strengths and experience: In-depth knowledge of outsourcing in both the public and private sectors and extensive international experience in key developing countries such as India, China and Brazil.

A graduate of the Wharton School at the University of Pennsylvania with a degree in economics and decision sciences; served a 30-year career with Capgemini and its predecessors. Having started in the US and become managing partner of mid-Atlantic information and technology for Ernst & Young, he went on to gain significant international experience for 16 years as managing partner of Ernst & Young Consulting Australia, CEO of Capgemini Ernst & Young in Asia and CEO Capgemini Ernst & Young UK. He then spent eight years serving on Capgemini's executive management committee during which time his roles included deputy group CEO and CEO of Capgemini Global Outsourcing Services.

Current external commitments: None

10. CLARE SPOTTISWOODE

Non-executive director

Chairman – CSR Committee

Member – Remuneration

Joined G4S board: June 2010

Key strengths and experience: Considerable experience in the public sector, the energy markets and the financial services sector as well as setting up and managing her own businesses. Has particular involvement with the group's businesses in the UK and Africa regions.

A mathematician and economist by training, worked for the UK Treasury, director general of Ofgas, the UK gas regulator; policyholder advocate for Norwich Union's with-profits policyholders at Aviva; non-executive director of Tullow Oil plc; and a member of the Independent Commission on Banking and the Future of Banking Commission.

Current external commitments: Chairman of Gas Strategies Group, Energetix Group and Magnox Limited; non-executive director of Ilika plc, Enquest plc, RBC Europe Limited and BW Offshore Limited; and independent director of the Payments Council.

11. TIM WELLER

Non-executive director

Member – Audit and Risk Committees

Joined the G4S Board: April 2013

Key strengths and experience: Significant experience of the energy and utilities sectors and serving FTSE 100 CFO.

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

Current external commitments: CFO of Petrofac Limited, the FTSE100 international oil and gas service provider and a non-executive director of the Carbon Trust.

OUR EXECUTIVE TEAM

G4S is managed through a functional and regional structure.

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

1. ASHLEY ALMANZA, CHIEF EXECUTIVE OFFICER

Ashley joined G4S as Group CFO in May 2013, and was promoted to Group CEO on 1 June 2013.

Ashley held a number of senior executive roles at BG Group from 1993 to 2012, including Chief Financial Officer from 2002 to 2011 and Executive Vice President from 2009 to 2012. As Executive Vice President he was accountable, during 2009 and 2010, for the strategic and operational management of BG Group's UK, European and Central Asian businesses which had combined annual profits of around $3 billion. He also led a consortium of global companies through complex government negotiations in Central Asia.

Ashley is a non-executive director of Schroders plc and Noble Corporation. He holds an MBA from the London Business School and was previously Chairman of the Hundred Group of Finance Directors.

2. EDDIE ASTON, REGIONAL CEO – UK & IRELAND

Eddie joined G4S in July 2013 as Group Chief Operating Officer and was appointed Regional CEO of UK & Ireland in October 2013.

Eddie held a number of senior executive roles at Deutsche Post DHL, where he worked for 13 years. Most recently he was CEO Global Sectors.

His previous role was CEO Life Sciences and Public Sector, responsible for strategic and operational leadership of a multi-billion turnover business. He also held a variety of managing director roles at the business.

3. ANDY BAKER, REGIONAL PRESIDENT – AFRICA

Andy joined G4S as regional president for G4S Africa in 2012.

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

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

Prior to this, he spent four years as Group Chief Operating Officer of Altech, a JSE listed technology group with revenues of $1.2bn and operations in 15 countries. He holds an MBA from Cranfield University.

4. IRENE COWDEN, GROUP HR DIRECTOR

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

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

Irene has worked in the security industry for 36 years and has held director level positions at business unit, divisional and corporate level. She was appointed to the board of Securicor plc in 2002 as group HR director.

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

5. GRAHAME GIBSON, REGIONAL CEO – AMERICAS

Grahame has been involved in the security industry for 31 years, having joined Group 4's UK operating company in 1983 as finance director.

Since that time, Grahame has held a number of operational, management and board positions in the UK, USA, Denmark, the Netherlands and Austria.

Grahame has broad experience of the security industry and management of businesses across a diverse range of cultures has been invaluable to the group throughout its development.

Grahame joined the board of G4S plc in April 2005.

Grahame is a board member of the Ligue Internationale des Sociétés de Surveillance.

6. GRAHAM LEVINSOHN, REGIONAL CEO – EUROPE

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

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

Grahame is a fellow of the Chartered Institute of Marketing and a director of COESS.

7. SØREN LUNDSBERG-NIELSEN, GROUP GENERAL COUNSEL

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

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

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

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

8. HIMANSHU RAJA, GROUP CHIEF FINANCIAL OFFICER

Himanshu joined G4S in October 2013 as Group Chief Financial Officer. In addition to his role as CFO, the following functions also report to him: service excellence centres, risk management, group procurement and group IT.

He joined the group from Misys where, as CFO, he was responsible for finance, legal and commercial, facilities and procurement.

Prior to Misys, Himanshu was CFO of Logica plc where he led the sale process that resulted in the company being acquired by CGI of Canada. Himanshu also held senior executive positions at BT Group where he worked for more than 10 years in a number of divisional finance director roles, including Chief Financial Officer of BT Global Services, BT Design, BT Operate and BT Wholesale.

His early career included finance and systems roles at Worldcom International, UUNET and MFS Limited.

Himanshu qualified as a chartered accountant with Arthur Andersen and holds a law degree.

9. DAN RYAN, REGIONAL CEO – ASIA AND MIDDLE EAST

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

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

10. DEBBIE WALKER, GROUP COMMUNICATIONS DIRECTOR

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

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

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

GOVERNANCE: CHAIRMAN'S LETTER

John Connolly
Chairman

DEAR SHAREHOLDER,

G4S is committed to achieving and maintaining the highest standards of corporate governance, as we believe that these are the necessary foundations on which the long-term success of the group is built. Trust, integrity and transparency are at the heart of what we do. My role is to lead the board and ensure that it has the appropriate balance of skills, experience, independence and knowledge of the company to ensure its effectiveness.

As explained in my chairman's statement on pages 2 and 3, 2013 has been a year of strong focus on board composition and in ensuring we have the right senior management team in place. I am pleased to report that the range of backgrounds, skills and experience of the new members of the board is already producing results. A strong emphasis was placed on ensuring that they have sufficient knowledge of the company and the environment and conditions in which we operate. Details of inductions and professional development are found below.

The role of the board is to challenge constructively and help develop the group's strategy. The board took part in the thorough review of the strategy, which the new chief executive officer, Ashley Almanza, developed during the summer and which resulted in the adoption of the strategy for delivering the company's objectives which is described in the Strategic Report.

2013 also saw us embark on a thorough review of our risk management framework, which has led to a number of changes aimed at strengthening and enhancing internal controls and processes for identifying, reporting and managing risk. The board, through its newly created Risk Committee, oversaw the process.

The purpose of the corporate governance report which follows is to give an understanding of the corporate governance framework and arrangements we have in place. It is also to explain how the group as a whole and the board in particular have complied with the principles of the UK Corporate Governance Codes, published in May 2010 and September 2012 (the "Code").

John Connolly
Chairman

31 March 2014

OUR GOVERNANCE FRAMEWORK

The board sits at the top of the company's governance framework, setting broad strategic targets, monitoring progress, approving proposed actions and ensuring appropriate controls are in place and operating effectively.

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

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

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

There is a detailed schedule of matters reserved to the board under 12 separate categories: strategy and management; structure and capital; financial reporting and controls; risk and internal controls; contracts; communication; board membership and other appointments; remuneration; delegation of authority; corporate governance matters; policies; and other matters such as settling material litigation and approving levels of insurance. By way of example, board approval is required for: unbudgeted capital projects of more than £10m; entering into a sales contract where annual revenue is to be more than £50m; any changes to the group's long-term objectives and commercial strategy; and the annual operating and capital expenditure budgets. The schedule of matters reserved to the board was reviewed and updated during the course of the year.

The board fulfils a number of its most important functions through its committees. The work of these committees is described below in this report.

The terms of reference of the committees are available on the company's website. www.g4s.com

BOARD BALANCE

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

The names of the directors serving as at 31 December 2013 and their biographical details are set out on pages 48 and 49. All directors served throughout the year under review, except as noted below:

- Tim Weller – appointed as non-executive director on 1 April 2013
- Ashley Almanza – appointed as director and chief financial officer on 1 May 2013 and then as chief executive officer on 1 June 2013
- Nick Buckles stepped down from the board on 31 May 2013
- Lord Condon, Trevor Dighton and Bo Lerenius retired from the board at the conclusion of the company's AGM on 6 June 2013
- Himanshu Raja – appointed as director and chief financial officer on 7 October 2013

Mark Seligman will have served on the board for nine years by the end of this year and will stand down from the board after the company's AGM in 2015. Mark has served as Audit Committee chairman since May 2009 and has been a member of that committee since January 2006. As part of the board's succession plan therefore, Mark will stand

down as a member of the committee at the end of this year and as chairman of the Audit Committee after the 2014 AGM, when the role will be taken on by Tim Weller. Both Mark and Tim are the members of the Audit Committee with recent and relevant financial experience, and Tim is a serving FTSE 100 CFO. Tim will therefore lead the external audit tender process which will be undertaken by the Audit Committee later this year (see page 63).

Induction and professional development

A tailored induction is provided to new non-executive directors joining the board. This includes spending time with the executive directors and other senior executives to understand the business, its structure and people as well as the company's strategy and financial performance.

In March 2013, Messrs Crozier, Spence and Weller met the group's regional CEOs who each presented an overview of their region. This was followed by a question and answer session also attended by the chief executive officer and the chief financial officer. Visits to key locations within the group are also arranged. New directors are given the opportunity to visit businesses so they can learn about the group's operations.

In February 2013, John Connolly, Mark Elliott and Paul Spence attended the North American regional management conference in Miami. Prior to the conference, as part of his induction, Mr Spence attended a session with the Americas regional management team, who provided an overview of the businesses in the region, as well as the opportunities and challenges there.

The induction also provides details of the group's governance policies and structure and includes a summary of the risks facing the group. Meeting regional and country staff continues throughout a director's time on the board, as does continuing professional development, usually in areas where the director has specific committee responsibility.

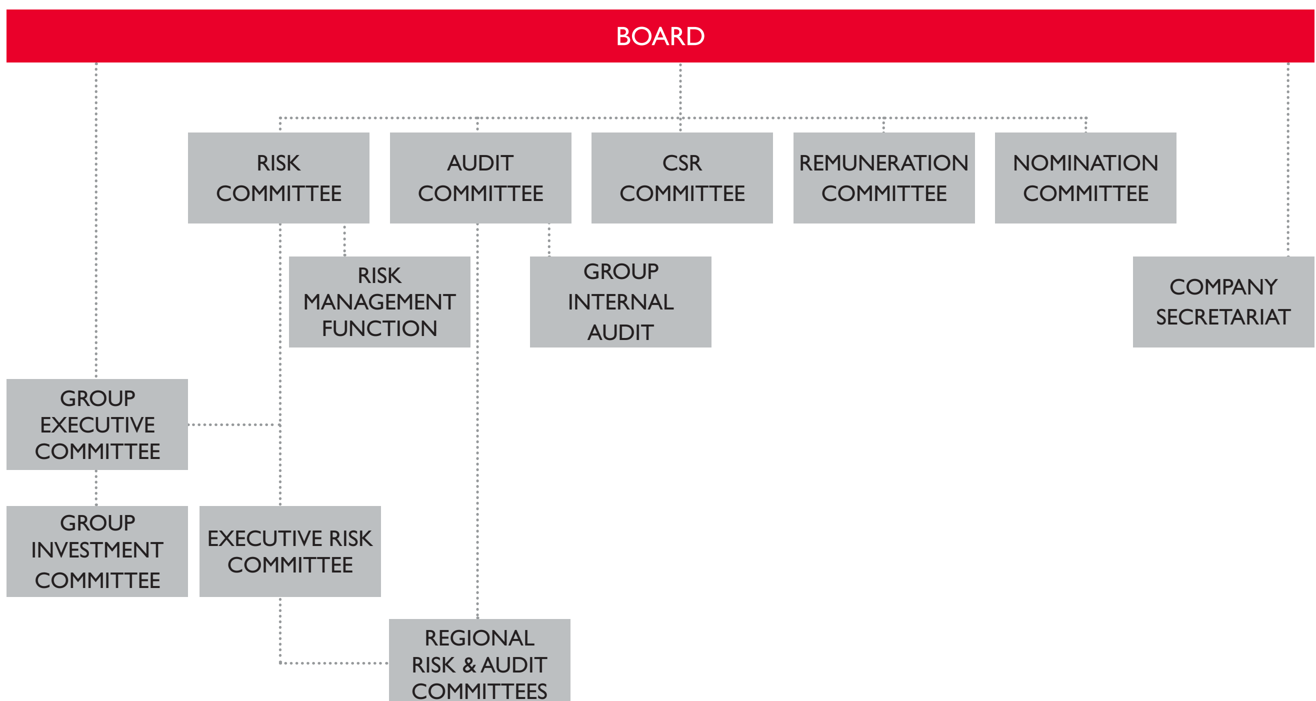
COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The board's statement on the company's corporate governance performance is based on the Code, which is available on the Financial Reporting Council's website (https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code-Code.aspx).

The Listing Rules require companies to disclose how they apply the Code's main principles and report how they have done so. The Code recognises that alternatives to following its provisions may be justified in particular circumstances if good governance can be achieved by other means, provided the reasons are explained clearly and carefully. In such cases, companies must also illustrate how their actual practices are consistent with the principle in question and contribute to good governance.

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

GOVERNANCE STRUCTURE



Board performance review

In 2013, the performance of the board and its committees was evaluated using a questionnaire-based self-assessment process which was then interpreted and reported on by the external consultancy (Lintstock Limited) which conducted an externally facilitated evaluation of the board and its committees' performance in 2011. Reports generated by this process related to the board, the chairman and each of the Audit, Remuneration, Nomination and CSR committees. Lintstock has no connection with the company other than evaluating the board and its committees' performance.

Following consideration of the report on the board's performance, the board has agreed a set of primary objectives for its work in 2014, which will include:

- regular reviews of businesses within each region including the group's risk services business
- scrutinising the group's technology strategy
- focusing on succession planning
- increased understanding of the group's competitors
- increased focus on effectiveness of internal controls environment
- analysis of employee and customer satisfaction.

In addition, the reports considered the performance of the chairman and each board member and were used to inform the discussion about the chairman's performance, which was conducted by the senior independent director without the chairman being present. The chairman has also conducted discussions with individual directors which, amongst other things, allowed the chairman to review directors' training and development needs.

The chairman also held regular meetings with the non-executive directors without the executives being present.

Succession

The Nomination Committee, led by the chairman, is responsible for the recruitment of all new members of the board and the board as a whole discusses succession planning for the board and senior executives.

Director re-election

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

Conflicts authorisation

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

RELATIONS WITH SHAREHOLDERS

The company actively seeks to engage with shareholders and, during 2013, senior management had extensive contact via one on one meetings, group meetings and telephone conference calls with shareholders representing more than 80% of the share register across over 200 institutions.

In November, the chief executive and chief financial officer presented to institutional investors at the group's annual capital markets update which is video webcast and available on the group's website. Additional results meetings are held for the preliminary and half-yearly results announcements and conference calls are arranged for the interim management statements.

The chairman has engaged with major shareholders over senior management changes and other broader governance issues. The previous and current chairs of the CSR Committee, Mark Elliott and Clare Spottiswoode, and relevant senior executives met with a group of socially responsible investors in September 2013, updating them on the group's corporate responsibility programme. Mark Elliott, in his capacity as chair of the Remuneration Committee, along with senior human resources executives, held a detailed consultation process with the company's largest shareholders on proposals for a new long-term incentive plan.

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

BOARD MEETINGS AND INFORMATION FLOW

Seven scheduled board meetings were held during the year ended 31 December 2013 and there were a further seven additional unscheduled board meetings. These additional meetings were mostly called at short notice and it was not always possible for all directors to attend. Three of the Remuneration Committee meetings were unscheduled.

One of the scheduled board meetings was an extended two-day board and strategy session covering presentations on development and implementation of the company's strategy. The board debated the company's strategy and business plans and the company's strategy was reviewed again by the board at a subsequent meeting. Prior to each meeting, comprehensive board papers are circulated to the directors addressing not only the regular agenda items on which the executives will report, but also details of any areas requiring approval or decisions such as significant transactions or events or important market issues.

At each meeting, the board then receives reports from the chairman, the chief executive, the chief financial officer and the company secretary, an HR report which includes summaries of developments on HR and health and safety matters and an investor relations report which includes analysts' reviews and any comments received from major shareholders since the previous board meeting. After meetings of the board committees, the respective committee chairmen report to the board on the matters considered by each committee. In addition, in months where there is no board meeting scheduled, the board receives trading and financial updates, investor relations and HR reports.

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

Meeting attendance in 2013

	Board scheduled	Board unscheduled	Nomination Committee	CSR Committee	Risk Committee	Audit Committee	Remuneration Committee
Executive directors							
Ashley Almanza (CEO)[1]	4 of 4	7 of 7			1 of 1		
Himanshu Raja (CFO)[2]	2 of 2	2 of 2			1 of 1		
Nick Buckles (CEO)[3]	3 of 3	2 of 3					
Trevor Dighton (CFO)[4]	4 of 4	2 of 3					
Grahame Gibson (Regional CEO – Americas)	7 of 7	5 of 7					
Non-executive directors							
John Connolly (chairman)	7 of 7	7 of 7	2 of 2		1 of 1		
Mark Seligman (deputy chairman)	7 of 7	6 of 7				4 of 4	6 of 6
Lord Condon (senior independent director)[4]	4 of 4	3 of 3					3 of 3
Mark Elliott (senior independent director)[5]	7 of 7	6 of 7	2 of 2	2 of 2			6 of 6
Adam Crozier	6 of 7	6 of 7	2 of 2			3 of 4	
Winnie Fok	7 of 7	6 of 7		4 of 4			6 of 6
Bo Lerenius[4]	4 of 4	3 of 3		2 of 2		2 of 2	
Paul Spence	7 of 7	6 of 7		2 of 2	0 of 1	4 of 4	
Clare Spottiswoode	7 of 7	6 of 7		4 of 4			5 of 6
Tim Weller[6]	5 of 5	7 of 7			1 of 1	3 of 3	

1 Ashley Almanza was appointed to the board on 1 May 2013.
2 Himanshu Raja was appointed to the board on 7 October 2013.
3 Nick Buckles stepped down from the board on 31 May 2013.
4 Trevor Dighton, Lord Condon and Bo Lerenius stepped down from the board on 6 June 2013.
5 Mark Elliott took over from Lord Condon as senior independent director on 7 June 2013.
6 Tim Weller was appointed to the board on 1 April 2013.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

In relation to compliance with the Code, the board has given consideration to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable.

The preparation of the annual report and accounts is coordinated by the finance, investor relations and company secretariat teams with group-wide support and input from other areas of the business. Comprehensive reviews were undertaken at regular intervals throughout the process by senior management and other contributing personnel within the group. The statement required to be given by the directors by Code provision C.1.1 can be found on page 83.

RISK MANAGEMENT AND INTERNAL CONTROL

The directors acknowledge their responsibility for the group's system of risk management and internal control and for reviewing its effectiveness each year.

The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Enterprise-wide policies and procedures, which are reviewed and monitored by the group director of risk and programme assurance, are in place to identify the key risks faced by each business unit and to put in place appropriate remediation strategies for any risks determined to exceed the group's risk appetite. The most material risks are elevated to the board which evaluates their impact on the group's activities and reviews any matters which may be considered by the board to present significant exposure.

The group's key risks are summarised in the Strategy section – Managing risk effectively and Our principal risks in detail on pages 34 to 41.

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

- Senior executives in each business unit and region use a common risk management framework* to provide a profile of those risks which may have an impact on the achievement of their business objectives
- Each significant risk is documented in the group's risk management system, showing an overview of the risk, its owner, how the risk is managed, and any improvement actions. Risk appetite/tolerance is considered in the context of the residual (after controls and mitigation) risk with a particular focus on "High" net risks. To be categorised as "High", a risk must meet at least one of the following criteria:

  - major impact on the achievement of the business strategy
  - serious damage to business reputation
  - severe business disruption
  - impact of > 5% on operating profit or assets
- The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.
- Risk management committees have been established at regional and group level.
- Risk and control self-evaluation exercises are undertaken for each operating company, for most companies at least twice a year, and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions. The results of the company risk evaluations are assessed by the regional risk management committees*.
- Both the regional committees and the group executive risk committee receive internal audit reports and regular reports on risks. They monitor the actions taken to manage risks.

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

In 2013, a new board Risk Committee was constituted. This committee approved a plan for the improvement of the group's risk management policies and procedures to be led by the group director of risk and programme assurance. Under this plan the following progress has been made:

- Revised terms of reference have been agreed for regional risk and audit committees and the executive risk committee. The reporting arrangements and inter-relationships between these governance bodies and the Audit Committee have been clarified.
- Regional risk managers with revised, standardised, role descriptions have been appointed in each region as well as in the global risk services and consulting business.
- A new group risk universe providing greater structure to the classification of the group's risk was developed.
- A new methodology for identifying and assessing risks has been created.
- An interim risk management tool, incorporating the risk universe and new methodology was put into place to capture risk at regional and group level.
- In January 2014, the regional risk and audit committees all held risk workshops to identify and assess the principal regional residual risks afresh. These risks were recorded in the interim risk management tool and provided the basis for identifying and assessing the group's principal residual risks presented in this annual report. Mitigation action plans are being refreshed for all regional and group residual risks.
- During 2014, the risk management improvement programme will focus on:
  - Defining a new overall risk management approach and revised risk policy.
  - Defining a more precise group risk appetite.
  - Implementing a new risk management software tool with improved mitigation action tracking capabilities and improved management information and reporting.
  - Rolling-out new approaches to and policies on risk across the group.
  - Implementation of enhanced contract approval and contract management processes.

Further information about the Risk Committee, its remit, work during 2013 and its plans for 2014 can be found on pages 34 to 41.

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

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

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

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

- Summary of 2013 internal audit work, including an update on all open audits with a deficient rating, analysis of results by region, common audit findings and areas identified for improvement in internal controls
- Summary of 2013 internal financial reviews, including significant accounting or financial control issues and common concerns identified
- Overview of year-end financial control status reports completed by all businesses confirming adherence to group standards, with any exceptions reported
- A broad overview of the general risk management and internal control systems in place during the year
- Year-end group risk profile
- Review of risk management processes and of the group's principal residual risks by the board Risk Committee
- External audit year-end reporting on financial controls and accounting.

The Audit Committee has confirmed that it is satisfied that the group's risk management and internal control processes and procedures are appropriate. The board has reviewed the group's risk management and internal control system for the year ended 31 December 2013 by considering reports from the Audit Committee and the Risk Committee and has taken account of events since 31 December 2013.

* Because G4S Government Solutions, Inc. ("GSI") is governed through a proxy agreement under which the group is excluded from access to operational information, it is not subject to the same risk management process as is applied to other group companies. The board has however satisfied itself as to the adequacy of the internal control processes adopted by GSI, which include a risk review by an external adviser.

THE NOMINATION COMMITTEE

John Connolly
Nomination Committee Chairman

"There have been significant changes to the board during the year. The Nomination Committee was engaged in selecting and appointing two new executive directors. In any appointment recommended to the board, the Nomination Committee continues to ensure that board membership represents the wide range of skills and experience required."

John Connolly

MEMBERSHIP IN 2013

The members of the Nomination Committee are John Connolly (chairman), Adam Crozier and Mark Elliott. On 24 January Lord Condon left the committee and Adam Crozier joined.

ROLE

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

KEY ACTIVITIES DURING 2013

Following an evaluation of the board committee memberships of the non-executive directors, proposals for changes were implemented in January 2013. Further details of these changes can be found in the relevant section relating to each committee.

NEW APPOINTMENTS

In 2013, three new non-executive directors were appointed to the board during the year, having been selected and announced in 2012 through a process led by the Nomination Committee which was assisted by the external executive search consultant, Zygos Partnership.

Through a process led by the Nomination Committee which was assisted by the external executive search consultant, Inzito, Ashley Almanza was appointed as CFO on 1 May 2013. At the end of 2012, the board initiated a succession planning process to search for a new CFO. The chairman of the Nomination Committee led the process. Inzito, which was provided with a detailed brief for the role, undertook a thorough search. The list of potential candidates selected by Inzito was considered by the Nomination Committee, which carried out the review having regard to the balance of skills, experience and diversity on the board. Candidates who were shortlisted were all interviewed by the CEO and a smaller number also met with the chairman of the Nomination Committee and other non-executive directors. This process led to the Nomination Committee recommending to the board the appointment of Mr Almanza as the new CFO. The board accepted the recommendation, which resulted in the appointment of Mr Almanza on 1 May 2013.

At the time of looking for a replacement for Mr Buckles, with Inzito's assistance, the board considered the skills and experience of a range of potential external candidates as well as those of Mr Almanza. After careful review, the board concluded that Mr Almanza's wealth of experience gained from working across international borders in complex businesses as well as his experience of strategic and operational management would enable him to provide strong strategic and operational leadership to the group. The board therefore approved Mr Almanza's appointment as CEO.

The Nomination Committee then instigated the selection process for a new CFO to replace Mr Almanza. Mr Almanza and the group human resources director interviewed a number of candidates, some of whom had been seen before, including Himanshu Raja. With Inzito's assistance, a list of candidates was produced, a number of whom were interviewed by the CEO and by the chairmen of the Nomination Committee and the Audit Committee. The Nomination Committee recommended to the board the appointment of Mr Raja, and he was appointed as CFO on 7 October 2013.

Inzito and Zygos Partnership each provided recruitment consultancy services to the Nomination Committee and neither has any other connection with the company.

DIVERSITY

With operations in 120 countries, G4S operates in very diverse communities and businesses. Diversity covers many aspects such as gender, race, religion and language as well as background and experience. Our workforce reflects this diversity. The board recognises that the group needs to continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent. This allows individuals to reach their full potential but also to provide the best service to our customers. Diversity is a consideration that forms part of any new recruitment for and appointment to the board. Although appointments will continue to be made on merit, the Nomination Committee and the board recognise that the board performs better when it includes members from varying backgrounds, experiences and perspectives. Diversity will therefore continue to be a key consideration when contemplating the composition and refreshing of the board and senior management, although the board has no specific targets in relation to diversity including gender.

THE CSR COMMITTEE

Clare Spottiswoode
CSR Committee Chair

"Corporate social responsibility remains at the heart of G4S' business strategy and operations. I was delighted to become chair of the CSR Committee in June 2013, taking over from my predecessor Mark Elliott. Although CSR matters considered by the committee are wide ranging, a significant area of focus for the group and the CSR Committee is to ensure the health and safety of our colleagues around the world. Sadly, 55 of them lost their lives in 2013. This has been and remains a key concern for the committee. Whilst any employee fatality is unacceptable, we are making good progress in implementing our health and safety campaigns and strategies, which include significant work around road safety, to reduce the number of injuries and fatalities across our global workforce. In addition, Safety First has been introduced as a new value for the group and performance-related objectives, which focus on health and safety awareness and role modelling, have also been implemented. This work continues in 2014."

Clare Spottiswoode

MEMBERSHIP IN 2013

The members of the CSR Committee are Clare Spottiswoode (chair), Winnie Fok and Paul Spence. Bo Lerenius retired from the board and left the committee following the company's annual general meeting on 6 June 2013. On the same date, Mark Elliott left the committee and Ms Spottiswoode became the committee's chair.

CSR Committee meetings are attended by the group communications director and the group human resources director and, from February 2014 onwards, also by Grahame Gibson, one of the executive directors of the board.

ROLE

The CSR Committee is responsible for reviewing and monitoring the group's CSR strategy. This includes developing policies on various CSR-related matters for consideration by the board, reviewing the activities of the executives who are responsible for CSR matters and monitoring performance of the group against its policies and any associated targets. It also takes responsibility for the company's CSR report.

The company's separate CSR report for 2013 provides more detail on the group's CSR strategy and the progress it has made during the year. A brief summary of some of the issues which that report addresses is set out on pages 42 to 47.

KEY ACTIVITIES DURING 2013

During the year, the committee reviewed the content of the company's 2013 CSR report and the results of the CSR materiality exercise undertaken during the year.

The committee also oversaw the group's implementation of a number of initiatives to improve health and safety for the group's employees. With regard to road safety specifically, which remains a strong area of focus, initiatives included the "Driving Force Rules" campaign, which was piloted in seven countries. In addition, the committee oversaw the introduction of enhanced incident reporting and investigation processes and the collection of "lost time incident" data.

Early in the year, the committee oversaw the launch of human rights and policy guidelines throughout the group and will monitor their effectiveness.

The committee reviewed the effectiveness of communication of the group's whistle-blowing hotlines, following which the promotion of these hotlines was improved.

Mark Elliott, the previous chair of the CSR Committee, and Clare Spottiswoode, the current chair, led a meeting with a group of socially responsible investors in September 2013 to provide an update on the group's corporate responsibility programme.

THE RISK COMMITTEE

John Connolly
Risk Committee Chairman

"Over the past year we have begun an in-depth review of our risk management processes. A new Risk Committee, chaired by me, was created in 2013. The Risk Committee is tasked with overseeing this review and the implementation of agreed changes. A specific group risk management function, separate from internal audit, has also been created. In September 2013, Alastair James was appointed as group director of risk and programme assurance to lead the new function. I am confident that these actions will significantly improve management of the group's risks."

John Connolly

MEMBERSHIP IN 2013

The members of the Risk Committee are John Connolly (chairman), Ashley Almanza, Himanshu Raja, Paul Spence and Tim Weller.

Other regular attendees include the group general counsel, the head of internal audit and the group director of risk and programme assurance.

ROLE

The Risk Committee advises the board on the group's overall risk appetite, develops the group's risk management strategy, advises the board on risk exposures, reviews the level of risk within the group and assesses the effectiveness of the group's risk management systems. The committee's composition ensures that a broad-ranging set of skills and experience come together to take a fresh look at how the group manages risk in the business.

KEY ACTIVITIES DURING 2013

The board decided last year that it would establish a distinct Risk Committee to oversee a comprehensive review of the group's enterprise risk management processes. It also decided that the company would implement more fully the best practice "three lines of defence" model for risk management, by separating responsibility for risk management from the group internal audit function.

A thorough review of the effectiveness of the group's risk management processes was commissioned and carried out by Deloitte. The review took place in July and August 2013. The Risk Committee met in September 2013 to receive Deloitte's report, discuss the results and agree a plan of action designed to reinforce the group's risk management approach.

The conclusion of the Deloitte report was that, while the group has in place a basically sound risk management process, there were a number of areas where improvements could be made. A plan was therefore developed to take forward Deloitte's recommendations through 2014. The terms of reference of the Risk Committee were finalised and agreed by the board.

During the year, a sub-committee of the Risk Committee met on five occasions to review major contract bids, the risk associated with them and mitigation plans.

IN 2014

In March, the Risk Committee reviewed the residual risks identified by each of the regional risk and audit committees. The residual risks were identified as a result of the consolidation of the risks identified by these regional committees following a revised methodology rolled out towards the end of 2013. Further details of the principal risks and uncertainties facing the business are set out on pages 34 to 41.

The Risk Committee plans to meet at least twice more in 2014 to carry out the following activities:

- review progress on the improvement of the risk management approach
- review the group's residual risk exposure and the progress of mitigation action plans
- review new and emerging risks.

The Risk Committee will consider all significant risks to the group, not only financial risks. The Risk Committee's role is to support the Audit Committee and the board in discharging their responsibilities in respect of the monitoring, reviewing and reporting of internal control and risk management.

THE AUDIT COMMITTEE

Membership in 2013
The members of the Audit Committee are Mark Seligman (chairman), Adam Crozier, Paul Spence and Tim Weller. On 24 January 2013, Adam Crozier and Paul Spence became members of the committee and Lord Condon and Ms Fok left. Tim Weller joined the committee upon his appointment to the board on 1 April and Mr Lerenius left upon his retirement following the company's annual general meeting on 6 June 2013.

The committee members were selected for their breadth of commercial and financial expertise, necessary to fulfil the Committee's responsibilities. Each member of the Audit Committee brings significant and relevant financial experience gained at senior management level. Their skills and experience are set out on pages 48 and 49. The Audit Committee's chairman, Mr Seligman, and Mr Weller, are considered by the board to be the members of the Audit Committee with recent and relevant financial experience.

Mark Seligman has served as Audit Committee chairman since May 2009 and has been a member of the committee since January 2006. As part of the board's succession plan, Mark will stand down as chairman of the Audit Committee after the 2014 AGM, when the role will be taken on by Tim Weller. Mark will remain a member of the committee until the end of this year.

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

The role and work of the Audit Committee is described more fully in the Audit Committee report set out on pages 61 to 63.

THE REMUNERATION COMMITTEE

Membership in 2013
The members of the Remuneration Committee are Mark Elliott (chairman), Winnie Fok, Mark Seligman and Clare Spottiswoode. Remuneration Committee meetings are attended by the group HR director, the director of compensation and benefits, representatives of the committee's adviser and the company secretary. The chief executive officer also attends from time to time to provide information and guidance to the committee on remuneration packages for senior executives within the group. The work of the Remuneration Committee is more fully described in the Directors' remuneration report, which appears on pages 64 to 79 of the annual report.

Role
The Remuneration Committee is responsible for all elements of the remuneration of the executive directors and the chairman of the board and monitors the levels and structure of remuneration for the senior management team.

The chairman of the Remuneration Committee attends the company's annual general meeting to respond to any questions from shareholders relating to the Remuneration Committee's activities.

AUDIT COMMITTEE REPORT

Mark Seligman
Chairman of the Audit Committee

DEAR SHAREHOLDER,

2013 saw the appointment of first Ashley Almanza, then Stuart Curl (on an acting basis) and subsequently Himanshu Raja as chief financial officer after Trevor Dighton stepped down from that position at the end of April. Starting in May, a thorough review of the group's balance sheet was undertaken and work began on a process of change to strengthen significantly the group's financial capabilities. This process was fully supported by the committee, which reviewed and discussed the outcomes with executive management and the rest of the board.

During the course of the year, the Audit Committee devoted significant time to reviewing the integrity and quality of the group's financial reporting. The Audit Committee reviewed and assessed the half-year and full-year exercises relating to the carrying value of the group's assets and liabilities, the effectiveness of the internal control environment and the effectiveness of both the internal audit function and the external auditor. Together, these actions increased our understanding of the overall control environment, and resulted in a number of decisions intended to further strengthen controls. The Audit Committee concluded that the annual report and accounts was fair, balanced and understandable, and reported this to the board.

At the end of 2014 I will have served on the board for nine years and I will retire from the board at the 2015 AGM. Tim Weller will become chairman of the committee in my place after this year's AGM, thereby allowing Tim to assume leadership of the external audit tender process described below.

Mark Seligman
Chairman of the Audit Committee

31 March 2014

ROLE

The committee's tasks include:

- reviewing the group's financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements
- overseeing the relationship with the external auditor, including discussing with them the nature, scope and fees for their work and making recommendations to the board in relation to the appointment, reappointment and removal of the external auditor
- monitoring and reviewing the effectiveness and resourcing of the group internal auditing function
- reviewing the group's whistle-blowing arrangements
- testing the effectiveness of the risk management procedures (through reviewing and considering reports from the Risk Committee)
- reviewing the effectiveness of internal controls
- advising the board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy
- reporting to the board on how it has discharged its responsibilities

MAIN ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The committee:

- reviewed the company's annual report, half-yearly results and preliminary announcement
- reviewed and approved the 2013 external audit plan and received regular reports from the external auditor
- reviewed and approved the external auditor's fees, including fees for non-audit services
- recommended to the board the re-tendering of the annual external audit process as set out on page 63
- considered the effectiveness of the group's internal controls over financial reporting
- reviewed and approved the internal audit resources and annual audit plan and received regular reports from internal audit on the results of their work
- reviewed provisioning for potential tax liabilities
- reviewed the committee's terms of reference
- reviewed whistle-blowing reports and actions taken
- carried out an externally facilitated self-assessment of its performance
- considered the significant issues below.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE

The primary areas of judgement considered by the committee in relation to the 2013 financial statements, and how these were addressed, were:

Presentation of the income statement
In order to provide a better understanding of the underlying performance of the business, for the half-yearly and full-year results, management presented a view of the underlying results of the group, with separate disclosure of restructuring charges and other specific items.

The committee discussed the rationale with management and with the external auditor and concluded that separate presentation of restructuring charges and other specific items provides users of the group's financial statements with added clarity and transparency, and therefore facilitates a clearer assessment of the group's performance over time. The committee confirmed that appropriate accounting policies, controls and guidance on the constituents for specific items were in place and would be applied robustly in future years.

Risk of management override of internal controls

The group operates in a large number of diverse locations and has a decentralised management structure, with a significant number of local financial systems and processes which could potentially lead to management override of internal controls in the absence of group oversight.

The committee assessed the overall control environment of the group, reviewed and approved the group internal audit plan for the year as well as internal audit reports provided, interviewed senior management, and reviewed other controls including whistle-blowing arrangements. The committee also examined significant accounting estimates and judgements and the supporting documentation for evidence of fraud or bias that may represent a risk of material misstatement, and satisfied itself that the risk of management override of internal controls is not material.

Review of the carrying value of assets and liabilities

Following the appointment of Ashley Almanza as chief financial officer in May 2013 and subsequently as chief executive officer in June 2013, a balance sheet review was undertaken of the carrying value of the group's assets and liabilities in advance of the half-year results. Following the appointment of Himanshu Raja as chief financial officer in October 2013, a further and more detailed exercise was carried out. The committee had extensive discussions with both management and with the external auditor, which was asked to include the balance sheet review as part of the audit's scope and report to the committee. Note 8 to the financial statements provides the details of the assets that have been written down as a result of this exercise. In finalising the year-end results, the committee scrutinised the proposed adjustments and received assurance from management and the external auditor that the review was comprehensive and complete and that the revised estimates took account of current circumstances. The committee was satisfied that the adjustments made were balanced and reasonable.

Review of contracts

The group delivers outsourcing services that can be complex in nature and may be governed by unique contractual arrangements. There is a risk that revenue from these contracts is not recognised in accordance with contractual entitlements and therefore provisions may be required for refunds due to inaccurate billing and revenue recognition. During the year, the group was subject to a number of inquiries in relation to the accuracy of billing and services provided on some specific UK Government contracts, most notably the investigation into the electronic monitoring contracts where the Ministry of Justice alleged the group had overcharged for certain aspects of the services. Subsequent to year-end, a settlement was reached with the UK Government which is in line with the provision made at the year-end.

During the second half of the year, management undertook a review of 163 contracts across the group. The committee tested management on the underlying principles and application of provisions relating to the contract portfolio review and was satisfied that the judgements made were balanced and reasonable.

Compliance with foreign ownership rules and consolidation of subsidiaries

The group has a diverse set of complex ownership structures, which are sometimes based upon local laws and regulations relating to foreign ownership. In some instances the group operates through local structures with limited direct share ownership of the business but exercises control through shareholder agreements. Forthcoming changes to the rules on consolidation require different judgements in deciding whether or not to consolidate the underlying business or to treat the operation as a joint venture, an associate or an investment, as appropriate. During the year, management carried out an extensive exercise to review whether the group is in compliance with local foreign ownership rules and whether or not the group holds sufficient control and influence to support consolidation in the group results. This was a major area of focus in the external audit plan and the work was reviewed by the external auditor and by the committee.

As a result of this review, the committee was satisfied that the basis of consolidation and joint venture accounting was appropriate for the year. The committee also considered a report on the impact of adopting IFRS 10, 11 and 12 which came into force on 1 January 2014 and approved the enhanced disclosures relating to IFRS 10, 11 and 12 as set out in note 3(v) on page 103.

Carrying value of goodwill

The total value of the group's goodwill as at 31 December 2013 is £2bn and it relates to a significant number of acquisitions made. The estimation of the recoverable amount of goodwill supported by the group's cash generating units requires significant judgement primarily in relation to the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process.

The committee addressed these matters through receiving reports from management outlining the basis for the assumptions used, and was satisfied with the carrying value of goodwill. In addition, this matter is a prime area of external audit focus.

Going concern

The committee considered the group's strategy and the principal risks and uncertainties, reviewed the liquidity position of the group taking into account the significant undrawn but committed facilities available, and reviewed compliance with and availability of headroom in relation to covenants. In addition, the committee considered the group's cash flow forecast for the next 12 months, considered a number of stress test scenarios to assess the robustness of this forecast.

The committee was satisfied that the cash flow forecast, taking into account reasonably possible risk sensitivities and the group's current funding and facilities, alongside the group's funding strategy; show that the group will continue to operate for the forseeable future. In addition, the committee has reviewed the relevant disclosures made in the statement of directors' responsibilities on page 83. The committee has recommended to the board the adoption of the going concern statement for inclusion in the annual report and accounts.

Discontinued operations

The group often has business disposals underway at any reporting date. There is a risk that any such businesses may not meet the group's accounting policy for presentation as discontinued at the balance sheet date, either because they are not a separate major line of business or because there is uncertainty as to the likelihood of achieving the sale or the realisable value on disposal. The latter requires a level of judgement due to the range of potential sale prices. The committee reviewed the classification of all discontinued businesses and, following discussions with management and with the external auditor, was satisfied that the likelihood of sale was highly probable and that the carrying value was reasonable based on market multiples and on expectations arising from negotiations with potential buyers.

Taxation

The group operates in many tax jurisdictions, including countries where tax legislation is not always applied consistently and under some complex contractual circumstances where the responsibility for tax arising is not always clear.

The committee received reports from management and the external auditor on such issues, challenging them with assistance from external legal and other advisers, and is satisfied as to the judgements made. The committee also evaluated the adequacy of the group's disclosures about the tax provisions and contingencies at notes 14 and 35 and the level of estimation due to uncertainty in the tax provisions at note 4.

INTERNAL AUDIT REVIEW

The Institute of Internal Auditors suggests that internal audit functions are subject to an external assessment at least every five years. The last review of the group's internal audit function was carried out in 2009, and updated in 2011. In May 2013, the committee commissioned an independent review of the group's internal audit function. After a selection process which involved proposals from five firms, Deloitte scored highest and was selected to carry out the review.

Deloitte's report was considered by the committee in December 2013. The report found that the existing internal audit function was well organised and diligent, but that there were areas for improvement. Deloitte recommended the strengthening of the internal audit function and more emphasis on auditing the "third line of defence" activities. Deloitte also concluded that, although the group's internal financial review process was well designed, it could benefit from being carried out by finance staff, with internal audit reviewing the outcome.

The committee accepted Deloitte's findings, and adopted a number of changes including significantly increasing the resources available to the internal audit function over the course of 2014. This will enable an increase in the amount of time available for on-site audits and the insourcing of testing of internal controls in the UK and of IT auditing. Internal audit's effectiveness will be further enhanced by the strengthening of regional and country finance functions.

EXTERNAL AUDITOR

The committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and also assesses their independence on an on-going basis. The external auditor is required to rotate the audit partner responsible for the group audit every five years. The current lead audit partner has been in place for two years. The external auditor KPMG Audit Plc was first appointed in 2005.

So as to ensure that the independence of the audit is not compromised, during the year the committee reviewed its policy on the provision of non-audit services. Besides its formal audit function, the external auditor is permitted to provide consultation and due diligence services related to mergers and acquisitions, audits of employee benefit plans, reviews of internal accounting and control policies and general advice on financial reporting standards. Where the fees for such services are significant, prior approval of the committee is required. The external auditor is also prohibited from providing other services without specific permission from the committee. The provision of any non-audit services by the external auditor must in any event comply with the requirements in that regard of the Auditing Practices Board. The committee has reviewed this policy and agreed that it will be amended to allow the external auditor to undertake certain controls testing activities and any other services with the committee's approval which would not diminish the auditor's independence. The external auditor has written to the committee confirming that, in its opinion, it is independent. The committee discussed the levels of materiality used by the external auditor as set out in the report on page 92 and satisfied itself these were appropriate. The committee approved the fees paid to the external auditor, noting that the external audit is a complex exercise involving over 1,000 KPMG personnel. Details of the fees paid for audit services and non-audit services can be found in note 10 to the financial statements.

Effectiveness of the external auditor

A combination of formal and informal processes is used in the assessment of the effectiveness of the external audit process. Regular feedback is sought and received by management from the businesses within the scope of the external audit. At the conclusion of the year-end audit, this is fed back to the committee by the group financial controller where appropriate. In addition, the committee has considered the results of an internal questionnaire about the external auditor completed by management and members of the committee. The questionnaire included questions relating to the quality, planning, execution and communication of the external audit programme. The committee also reviewed the findings of the Financial Reporting Council's report on its audit quality inspection of KPMG published in May 2013. Since the assessment of the external audit concluded that the external audit remains effective and the external auditor remains independent, the committee recommended to the board that KPMG should be re-appointed as the group's auditor for 2014. The board accepted this recommendation and has proposed a resolution (set out on page 151) to shareholders for the re-appointment of KPMG. The committee also considered whether to tender the external audit.

EXTERNAL AUDIT TENDER

KPMG has been the group's external auditor since 2005. As part of the committee's review of the objectivity and effectiveness of the audit process, a detailed assessment was undertaken in 2013 as to whether the group should consider putting the external audit engagement out to tender. The committee concluded it was appropriate to undertake a full tender process for external audit services.

The committee has therefore approved a tender process (outlined below) which will be carried out during 2014. In the event that KPMG is unsuccessful, the board will appoint a successor with effect from the conclusion of the 2014 audit, and shareholders will be invited to confirm this appointment at the AGM in 2015. If KPMG is successful, shareholders will have the opportunity to re-appoint the firm as the group's external auditor at the AGM in 2015.

EXTERNAL AUDIT TENDER

Tender process

- A request for a proposal will be sent to each of the global audit firms in the second quarter of 2014.
- A tender evaluation team will be appointed comprising senior representatives from finance, group internal audit, group treasury, group legal and group tax.
- Following a review and evaluation of submissions and interviews by the tender team, a shortlist of prospective firms will be agreed by the committee and those selected will be invited to present to the committee.
- Members of the board and management will attend to assist the committee in developing a recommendation for the board. The committee will make the recommendation to the board.

Criteria

Detailed criteria for evaluation will be developed so as to incorporate key aspects of the Financial Reporting Council's Audit Quality Framework.

Appropriate weighting will be given to:

- organisation, capability and service delivery – including fully integrated global coverage, industry experience, in-depth appreciation of the group's risk environment and technical expertise
- audit quality – including quality assurance and compliance procedures, commitment to innovation and value-add, audit methodology, partner rotation and succession planning
- audit approach – including audit planning and scope, materiality and risk focus, and
- team capability and fit – including experience, continuity, culture, team structure and supervision.

THE REMUNERATION COMMITTEE

Mark Elliott
Chairman of the Remuneration Committee

DEAR SHAREHOLDER,

In what has been a year of great change for the group, the Remuneration Committee has dealt with both the activities that occur in the normal course of events and those driven by changes in leadership and regulation.

COMMITTEE OPERATIONS

As announced in last year's report, Lord Condon retired from the board at the AGM held on 6 June 2013 and thus I assumed the role of chairman of the committee. In addition, Winnie Fok joined the committee in January 2013.

As is best practice, the committee performed a formal review of its performance by collecting feedback from committee members and those associated with committee proceedings. In summary, the review found that the committee performed well but that we have the opportunity to improve in a few key areas such as greater involvement in the operation of incentives schemes across the group and in engagement with all of our stakeholders. We developed plans to enhance our performance and will monitor our improvement in those areas as part of this review.

In addition, we regularly review our terms of reference to determine if they continue to reflect best practice. We have recommended to the board minor updates to reflect our intent to more closely monitor variable pay plans across the organisation's top 220 senior managers. Our terms of reference continue to be available on our website.

The committee executed a formal review of its advisers in September and saw presentations and terms from three firms. We selected Deloitte to become our new advisers effective from October 2013.

2014 REMUNERATION

The committee had two strategic issues to manage during the year. The development of a remuneration policy for approval by our shareholders and the creation of a new long-term incentive plan given the impending expiry of the plan approved in 2004. The policy is presented on pages 65 to 72 of this report. The proposed Long Term Incentive Plan (LTIP) is presented on pages 66 and 67 as well as page 78 of this report and a summary of its rules is contained in the Appendix to the Explanatory Notes to the AGM notice on pages 156 and 157.

While the policy will not formally take effect until approved by the shareholders at the AGM on 5 June 2014, we intend to operate within that policy beginning immediately.

The committee consulted with 15 of the company's largest shareholders and a number of key shareholder representative bodies in the development of both the policy and the LTIP. In particular the new LTIP was altered to reflect:

- a desire for greater transparency in the way EPS is calculated
- a change in our TSR comparator group
- a desire to alter the metrics so that EPS is balanced with TSR and a third metric aligned with our strategy. We selected a cash flow metric which aligns with our strategic intent to reduce debt and to invest in organic growth
- an increase in the shareholding requirement for executive directors.

We believe the result is a plan which is better aligned with our strategy and with shareholder interests.

The committee believes the proposed policy and plan outlined in this report will allow us to attract and retain top talent for executive roles and will incentivise behaviour and performance aligned with our strategy and shareholder interest.

As part of the annual salary review process, the committee determined that the CEO's salary would be increased to £890,000 with effect from 1 January 2014. Salaries for other executive directors were unchanged. An illustration of the effect of our remuneration policy during 2014 can be found on page 71 of the following report.

PAY DURING 2013

The committee was involved in approving the terms agreed with Messrs Buckles and Dighton upon their departure during the year and the employment terms for their replacements. The terms agreed with Messrs Buckles and Dighton simply reflected their contractual entitlements. There were no additional payments nor was there any accelerated vesting of outstanding awards. Further details are set out on page 76 of the report.

In recruiting new executives the committee considered a number of factors (including external market practice, internal relativities, individual experience, expertise and the requirements of the role). In the case of Ashley Almanza he was first recruited as the chief financial officer from 1 May 2013 and was awarded a salary commensurate with the position and variable compensation and benefits as reflected in our policy. When he was promoted to chief executive in June 2013, his base salary, benefits and variable compensation were increased to reflect his additional responsibility. No further payments were committed or made.

Following Ashley's promotion to chief executive officer, Himanshu Raja was recruited as chief financial officer. His base pay is equal to that paid to Ashley Almanza whilst he was chief financial officer.

The directors' service contracts are available for inspection by shareholders.

No bonuses were paid to executive directors in March 2013 for the year 2012. Having reviewed performance for 2013, Grahame Gibson, Regional CEO – Americas was awarded a bonus of £103,000 and the committee used some discretion to determine that bonuses of £648,000 and £234,375 will be paid to Ashley Almanza and Himanshu Raja respectively, in recognition of their significant business achievements since joining the group.

In Ashley Almanza's case, he assumed the role of CEO in a time of great uncertainty. The board asked him to focus on identifying root causes of issues that had led to our profit warning in May and to prioritise the correction of those issues in a sustainable manner. We asked him to stay equally balanced on delivering quality underlying operating results that would set the foundation for sustainable growth going forward. Given his assumption of the CFO role in May and then the CEO role in June, the committee concluded that the underlying PBITA of £442 million, as presented in the results, was "at target" for the financial portion of his bonus. For the portion of his bonus based on non-financial objectives, the committee, and indeed the whole board, was highly satisfied with the rate and pace of progress and the committee therefore awarded him the maximum quantum. The bonus was prorated to reflect his nine months of employment by the group which resulted in the £648,000 payment.

In Himanshu Raja's case, given he did not join until October, the committee concluded that his prorated bonus would be awarded based on a set of non-financial objectives that again addressed the immediate need to deal with underlying financial and risk management processes in a manner that would correct root cause issues uncovered during 2013. Again the board and the committee were highly satisfied with the significant progress he made in three months. Therefore we judged his performance to deserve a maximum prorated bonus of £234,375.

In accordance with the plan rules a portion of these bonus payments will be deferred for three years and paid in shares.

In Grahame Gibson's case, there was no payment for the financial portion of his bonus, since his financial targets were not achieved. However, he met a number of his non-financial objectives in relation to talent management, succession planning, portfolio management and in preparing our US businesses for the introduction of the Affordable Care Act. Therefore, Grahame was awarded a bonus of £103,000 payable in cash.

More information can be found on the committee's deliberations of these bonuses on page 73 of the report.

Executive directors are also eligible for long-term incentive awards although there was no vesting in relation to the awards made in 2010 and 2011 which would have vested in March 2013 and March 2014 respectively.

We hope that you find this year's remuneration report informative and that we will enjoy your support on all of the remuneration-related votes at the 2014 AGM.

Mark Elliott
Chairman of the Remuneration Committee

31 March 2014

OUR REMUNERATION POLICY

The committee reviews the company's remuneration policy for directors regularly to ensure that it remains aligned with the company's strategic objectives, in line with best practice and suitable to attract and retain high calibre individuals whilst rewarding performance fairly.

When reviewing and setting the policy, the committee takes account of the overall approach and structure of employee reward across the group, pay decisions for the wider workforce as well as the results of relevant benchmarking data. It is the committee's intention that pay should also reflect responsibility attached to the role fulfilled, individual performance and other relevant market information. Shareholders are consulted from time to time on the remuneration policy, for example where a significant change to the policy is proposed.

When setting the policy, the committee is mindful of the need to have a remuneration framework which not only provides the ability to attract and retain high calibre executives but also motivates executives and rewards the delivery of superior performance. The strong link between executive reward and the group's performance; alignment of the interests of the executives and the shareholders; and provision of incentive arrangements which focus appropriately on both annual and longer-term performance are at the heart of the policy. Overall, the committee remains intent on achieving remuneration levels which provide a market competitive base salary with the opportunity through the company's incentive schemes to achieve earnings commensurate with the delivery of superior performance.

The policy on remuneration of directors is set out on pages 66 to 72 and a separate resolution to approve this will be put to the shareholders at the company's annual general meeting on 5 June 2014.

FUTURE POLICY TABLE

This remuneration policy will be effective from the day after the 2014 AGM.

Remuneration policy for executive directors

Purpose and link to strategy	Operation
BASE PAY	
Base pay is set at competitive levels in order to recruit and retain high calibre executives with the skills required in order to manage a company of the size and global footprint of G4S. The level of pay will reflect a number of factors including individual experience, expertise and role.	Reviewed annually and fixed for 12 months commencing 1 January. Interim salary reviews may be carried out following significant changes in role, scope or responsibility or at any other time at the committee's discretion. The final salary decision may also be influenced by role, experience, individual and company performance, internal relativities and increases for group employees.
BENEFITS	
As with base salary, a suitable range of benefits is made available in order to recruit and retain high calibre executives.	Executives are entitled to a number of benefits comprising paid holiday, healthcare for themselves and their family and life insurance of up to four times base salary, car allowance, business-related transport, limited financial advice from time to time, expatriate benefits where relevant. A relocation allowance reflecting reasonable costs actually incurred will be paid. Other benefits may be granted at the discretion of the Remuneration Committee. Reasonable business expenses in line with G4S expenses policy (e.g. travel accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.
ANNUAL BONUS	
Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives. Deferred element encourages long-term shareholding and discourages excessive risk taking.	Awarded annually based on performance in the year. Targets are set annually and relate to the group and/or the business managed by the executive. Bonus outcome is determined by the committee after the year end, based on annual performance against targets. Bonuses are paid in cash, but executives are required to defer any bonus payable in excess of 50% of their maximum bonus entitlement into shares. Deferral is for a minimum period of three years. Dividends or equivalents accrue during the deferral period on deferred shares. Bonuses are not pensionable.
LONG TERM INCENTIVE PLAN (NEW)	
Incentivises executives to achieve the company's long-term financial goals as well as focus on value creation, whilst aligning the interests of executives with those of shareholders.	Executive directors are granted awards on an annual basis, which vest over a period of at least three years subject to continued service and the achievement of a number of (currently three) key performance measures. The Remuneration Committee reviews the quantum of awards to be made to each executive each year to ensure that they remain appropriate. Dividends or equivalents accrue during the vesting period on awards that vest. The award is settled by the transfer of market-purchased shares to the executive directors. All the released shares (after tax) must be retained until the minimum shareholder requirement is met. Currently, the minimum shareholding requirement is 200% of base salary for the CEO and 150% for the other executive directors.
RETIREMENT BENEFITS	
As with base salary and other benefits, making available a suitable retirement benefits package aids the recruitment and retention of high calibre executives, allowing such executives to provide for their retirement.	G4S operates a defined contribution group-wide personal pension plan in the UK in which executives may participate. Alternatively, G4S may provide a cash allowance in lieu of a contribution into such plan. The current executive directors receive cash allowances. The CEO receives 25% of base pay as a cash allowance; the CFO receives 20% of base pay and the other executive director receives 40% of base pay, reflecting his historic participation in a defined benefits plan which has been closed. The level of award is kept under review by the committee and is intended to be broadly market comparable for the roles.

Maximum opportunity	Performance measures and clawback
Actual base pay for each executive director is disclosed each year in the Directors' remuneration report. In determining salary increases, the committee considers market salary levels including those of appropriate comparator companies. Ordinarily, annual salary increases would be no more than the average annual increases across the group. However, in exceptional circumstances a higher level of increases may be awarded, for example: • following a significant change to the nature or scale of the business; or • following a significant change to the nature or scope of the role; or • for a new appointment, where the base pay may initially be set below the market level and increased over time, as experience develops and with reference to the individual's performance in the first few years in the role. Where exceptional increases are made we will fully disclose and explain the rationale for such increases.	None, although individual performance may have a bearing on salary increases.
Maximum benefits per director per annum: • holidays – 30 days • car allowance – £20,000 • business-related local transport – £40,000 • for financial advice, expatriate benefits and relocation expenses, the expense will reflect the cost of the provision of benefits from time to time but will be kept under review by the committee • other benefits granted at the discretion of the committee up to 3% of base pay per annum per director • reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director. Any allowance in relation to relocation will provide for the reimbursement of reasonable costs incurred.	None.
Maximum opportunity of 150% of base pay per annum for the CEO and the CFO. 125% of base pay per annum for any other executive director.	Typically, executive directors' bonus measures are weighted so that: • between 70% and 85% of the bonus is based on achievement of challenging financial performance measures (e.g. profit before tax and amortisation, organic growth, cash flow measures, etc.), with each measure operating independently of the others; and • the remainder is linked to personal and/or non-financial measures, which are strategic or operational in nature. Each year, the committee may use its discretion to vary the exact number of measures as well as their relative weightings, and this will be disclosed in the annual remuneration report. As a result of the number of factors taken into account in determining bonus, there is no minimum pay-out level. For illustrative purposes, in the event that only threshold has been achieved, pay-out would be 35% of maximum, rising to full pay-out should achievement of a stretch performance level be achieved for all measures assuming the non-financial performance measures were satisfied. The deferred element of the bonus is not subject to any further performance measures but is subject to claw-back in certain circumstances. The non-deferred part of the bonus, which is settled in cash, is also subject to claw-back (see separate section below on page 68).
Maximum opportunity of 250% of base pay per annum for the CEO. Maximum opportunity of 200% of base pay per annum for the other executive directors.	Awards vest based on performance over a period of at least three financial years commencing with the financial year in which the award is made. Performance will be measured based on a combination of earnings per share growth, total shareholder return against a comparator group and average operating cash flow. For awards made in 2014, these will be in the proportion of 40%, 30% and 30% respectively. However, the committee retains the flexibility to amend these proportions, provided that no single measure will be a significantly greater proportion than the others. At threshold, 25% of the relevant portion vests. This increases on a straight-line basis up to 100% for performance in line with maximum. Targets are set out on page 78. Awards are subject to claw-back in certain circumstances (see separate section below on page 68).
Maximum opportunity of up to 25% of base pay for the CEO and 20% for the other executive directors save that 40% of base pay per annum is payable to Grahame Gibson.	None

Remuneration policy for non-executive directors

Purpose	Operation	Maximum opportunity
CHAIRMAN'S FEE		
To attract and retain a high calibre chairman by offering a market competitive fee, which also reflects the responsibilities and time commitment. There are no performance-related elements.	The chairman's fee is disclosed each year in the Director's remuneration report. The fees are reviewed annually by the committee. The annual fee is an all-inclusive consolidated amount. The committee retains the discretion to review the chairman's fee at any other time if appropriate. The chairman's fee are reviewed against those of other companies of a similar size.	Ordinarily, any increase of the chairman's fee would be in line with increases for similar roles in other companies Fees payable to the chairman and other non-executive directors in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.
NON-EXECUTIVE DIRECTORS' FEES (EXCLUDING THE CHAIRMAN)		
To attract and retain high calibre non-executive directors (NEDs) by offering market competitive fees which should reflect the responsibilities and time commitment. There are no performance related elements.	NED fees including any additional fee for any additional role listed below are disclosed each year in the remuneration report. With the exception of the chairman, the fees for NEDs are structured by composition build-up consisting of: • a base fee • an additional fee for chairing a committee • an additional fee for the role of deputy chairman • an additional fee for the role of senior independent director The non-executive director component fees are reviewed annually by the executive directors. The board retains the discretion to review the NED fees at other times, as appropriate, to reflect any changes in responsibilities or commitment. The basic fee covers committee membership and each NED is expected to participate in one or more board committees. All the fees are reviewed against those of other companies of a similar size.	Ordinarily, any increase of the non-executive directors' fees would be in line with other increases for similar roles in other companies. Fees payable to non-executive directors (including the chairman) in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.
BENEFITS		
Benefits may be provided from time to time in connection with the chairman and other NEDs performing their roles, such as business travel, subsistence and entertainment, accommodation and professional fees for tax and social security compliance, and other ancillary benefits.	Reasonable business expenses in line with G4S expenses policy (e.g. travel accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.	Reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director. Benefits and expenses will reflect the actual cost of the provision.

Notes to the future policy table

1. Performance measures

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

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

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

Legacy plans – The committee reserves the right to make any remuneration payments including payments for loss of office notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company. For these purposes, payments may include the committee satisfying awards of variable remuneration. In cases where all or a part of the variable remuneration award was in the form of shares, the payment terms are those agreed at the time the award was granted.

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

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

2. Changes in period

During 2013, a new CEO and CFO were appointed. No changes were made to the remuneration policy in effect during the previous year and the new CEO and CFO were recruited in line with the existing remuneration framework. Without the influence of the historic participation in a defined benefit scheme, the new hires were recruited on a lower pension cash allowance than the previous CEO and CFO.

3. Malus and claw-back mechanisms

Since 2010, any cash and/or shares awarded under the annual bonus plans and the current Performance Share Plan may be subject to claw-back. The proposed new Long Term Incentive Plan and the current annual bonus plan may be subject to malus or claw-back from the executive director concerned if the Remuneration Committee so determines and, in the case of misstatement of accounts, where the Audit Committee concurs. The time period in which the claw-back can be operated depends on the reason for the overpayment. Please see the explanatory table on page 69.

	Annual Bonus Plan (including deferred elements)		LTIP	
	2013 Plan	2014 Plan	Current PSP rules	Proposed new LTIP
Material misstatement of group financial accounts	up to 2 years after the payment of the cash element (regardless of the reason)	up to 2 years after the payment of the cash element	up to 2 years after vesting (except where due to fraud or reckless behaviour when it shall be 6 years after vesting)	up to 2 years after vesting
Misconduct		up to 6 years after the payment of the cash element		up to 6 years after vesting
Fraud		unlimited		unlimited

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

PRINCIPLES AND APPROACH TO RECRUITMENT AND INTERNAL PROMOTION OF DIRECTORS

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

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

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

SERVICE CONTRACTS

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

Executive directors' service contracts all have the following features:

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

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

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

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

Non-executive directors' letters of appointment:

- Appointment is subject to the provisions of the articles of association of the company, as amended from time to time regarding appointment, retirement, fees, expenses, disqualification and removal of directors
- All continuing non-executive directors' are required to stand for re-election by the shareholders at least once every three years, although they have agreed to submit themselves for re-election annually in accordance with the 2012 UK Corporate Governance Code
- Initial period of appointment is two years
- All reasonably incurred expenses will be met
- Fees are normally reviewed annually.

LOSS OF OFFICE PAYMENT

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

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

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

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

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

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

Plan	Automatic "good leaver" categories	Treatment for good leavers	Treatment for other leavers
Annual bonus (cash element)	All leavers other than voluntary resignation and summary dismissal	Executive directors may receive a bonus to be paid on the normal payment date and in accordance with the agreed performance measures but reduced pro-rata to reflect the time employed.	Bonus opportunity will lapse.
Annual bonus (deferred share element)	• Injury, disability or ill health • Redundancy • Retirement • Death • Termination without cause • Change of control or sale of employing company or business • Any other circumstances at the discretion of the Remuneration Committee	Deferred shares may be released if the executive director ceases employment prior to the third anniversary as a result of one of the good leaver reasons.	Deferred share awards shall lapse.
Performance Share Plan (current)	• Injury, disability or ill health • Redundancy • Retirement • Death • Change of control or sale of employing company or business • Any other circumstances, provided that the Remuneration Committee considers there are exceptional circumstances	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of the performance measures.	Awards will lapse.
Long Term Incentive Plan (new)	• Injury, disability or ill health • Retirement • Redundancy • Death • Change of control or sale of employing company or business • Any other circumstances at the discretion of the Remuneration Committee	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of performance measures at the relevant vesting date. The vesting date for such awards will normally be the original vesting date, unless otherwise determined by the Remuneration Committee.	Awards will lapse.

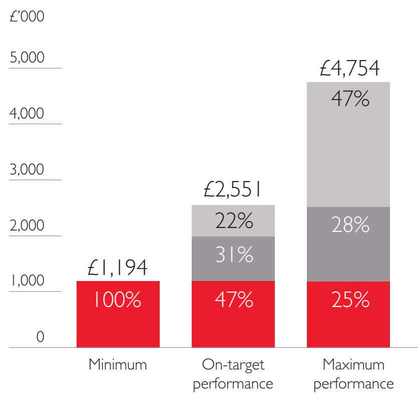
As directors may leave employment for a wide range of reasons, the Remuneration Committee retains discretion to approve payments where the reason for leaving does not fall precisely within the prescribed "good leaver" category. The committee will take account of the director's performance in office and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

CORPORATE ACTION

If the company is subject to a change in control, the current Performance Share Plan and the proposed new Long Term Incentive Plan provide that awards will vest subject to the performance targets having been satisfied up to the date of the change of control and, unless the committee determines otherwise, time pro-rating. On a variation of share capital, other reorganisation of the company, or a demerger of a substantial part of the group's business, the committee may make such adjustment to awards as it may determine to be appropriate.

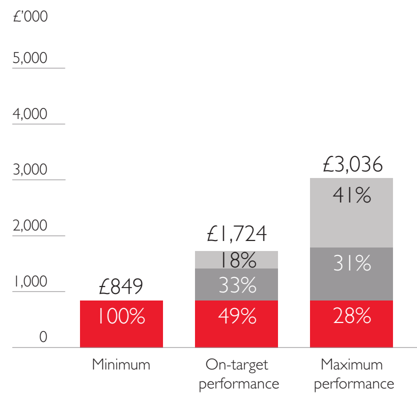
Illustrations of application of remuneration policy

ASHLEY ALMANZA



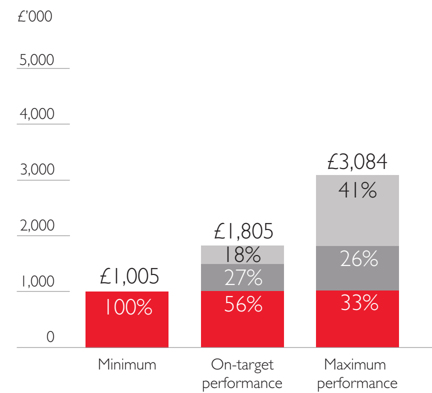
- Fixed pay
- Annual bonus
- Long-term incentive

HIMANSHU RAJA



- Fixed pay
- Annual bonus
- Long-term incentive

GRAHAME GIBSON



- Fixed pay
- Annual bonus
- Long-term incentive

	CEO	CFO	Regional CEO – Americas
Base pay as at 1 January 2014	£890,000	£625,000	£639,483*
Benefits	£81,408	£98,716	£110,152
Pension	£222,500	£125,000	£255,793
Total fixed pay	£1,193,908	£848,716	£1,005,428

* **The base pay for the Regional CEO – Americas is calculated using average exchange rates over 2013.**

The benefits figures include taxable business expenses and the associated tax and NIC payable by the company.

The bar charts above set out the effect of the executive directors' remuneration policy as it will apply in 2014 and based on the assumptions set out below:

	Minimum	On-target	Maximum
Fixed pay	Consists of total fixed pay including base salary, benefits and retirement benefits • Base salary – salary effective as at 1 January 2014 • Benefits – amount received by each executive director in 2013 including business expenses classified by HMRC as benefits but which the company does not consider to be benefits in the ordinary sense • Retirement benefits – 25% of salary for Ashley Almanza, 20% of salary for Himanshu Raja and 40% for Grahame Gibson		
Annual bonus	No payout	60% of the maximum payout (i.e. 90% of salary for Ashley Almanza and Himanshu Raja and 75% of salary for Grahame Gibson)	100% of the maximum payout (i.e. 150% of salary for Ashley Almanza and Himanshu Raja and 125% of salary for Grahame Gibson)
Long-term incentives	No vesting	25% vesting under the LTIP (i.e. 62.5% of salary for Ashley Almanza and 50% of salary for Himanshu Raja and Grahame Gibson)	100% of the maximum payout (i.e. 250% of salary for Ashley Almanza and 200% of salary for Himanshu Raja and Grahame Gibson)

STATEMENTS OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

The structure of the executive directors' pay policy is generally in line with the policy for remuneration of the senior management within the group, though the levels of award will be different. The performance measures that apply in the variable element of the remuneration will reflect the relevant areas of responsibilities. There may be one-off awards for retaining scarce and critical individuals below board level.

Remuneration of employees globally will depend on local regulation and practice, taking any collective bargaining agreements into account, where they exist.

Elements of remuneration	Availability	
Fixed	Base salaries	Available to all employees worldwide
	Pensions	Available to most employees in developed markets
Variable	Annual bonus	Available to all senior managers worldwide
	Long-term incentive plan	Available to some senior managers worldwide
Benefits	Car or car allowance	Available to all senior managers worldwide
	Protection insurance	Available to most employees in developed markets
	Private Healthcare	Available to all senior managers and above worldwide

Across the group the company seeks to pay competitively, taking into account external benchmarking and internal moderation at each level to ensure that remuneration is in line with market practice. When determining base salary increases for executive directors, the Remuneration Committee pays particular attention to the data at senior manager level.

At G4S, the Remuneration Committee does not normally consult directly with employees as part of the usual process of determining the remuneration policy and pay decisions for executive directors and has not therefore done so in setting this remuneration policy. However, employee surveys are carried out biennially to determine employees' views of their own pay and benefits, as well as those of colleagues in general.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

We are committed to consulting with our top shareholders on key remuneration issues and we would usually seek to consult prior to any major change in policy or practice. This helps us to understand any potential concerns our shareholders may have, and take any views on board. In 2013 and early 2014, we consulted with some of our largest shareholders and certain shareholders' representative bodies in respect of the proposed new LTIP and the directors' remuneration policy. Details of the consultation are provided in the Chairman's statement section of this report.

Furthermore, our Remuneration Committee chairman will be available to answer any questions and listen to the views of our shareholders at the forthcoming annual general meeting.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

Executive directors

The following table shows a single total figure of remuneration in respect of qualifying services for the 2013 financial year for each executive director, together with the comparative figures for 2012. Aggregate executive directors' emoluments are shown in the final column of the table.

	Base pay £		Benefits £		Annual Bonus £		PSP £		Pension related benefits £		Total £	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Ashley Almanza	**600,000**	n/a	**61,056**	n/a	**648,000**	n/a	**n/a**	n/a	**150,000**	n/a	**1,459,056**	n/a
Nick Buckles	**345,833**	830,000	**30,095**	23,551	**0**	0	**0**	0	**138,333**	332,000	**514,261**	1,185,551
Trevor Dighton	**221,000**	510,000	**55,471**	31,749	**0**	0	**0**	0	**88,400**	204,000	**364,871**	745,749
Grahame Gibson	**639,483**	630,286	**110,152**	37,223	**103,000**	0	**0**	0	**255,793**	252,114	**1,108,428**	919,623
Himanshu Raja	**156,250**	n/a	**24,679**	n/a	**234,375**	n/a	**n/a**	n/a	**31,250**	n/a	**446,554**	n/a

Notes:

1 The information relates to the part years during which they have served as executive directors:

a. For Ashley Almanza, this includes the period from 1 April 2013 when he commenced employment and when he was Group CFO from 1 May 2013 (during which time his base pay was £625,000 per annum) prior to his appointment as Group CEO from 1 June 2013 (when his base pay increased to £850,000 per annum).

b. For Trevor Dighton, this includes the period when he was an executive director, to the AGM held on 6 June 2013. Payments made after that date are shown on page 76.

c. For Nick Buckles, this is up to 31 May 2013. Payments made after that date are shown on page 76.

d. For Himanshu Raja, this was from his appointment date on 7 October 2013 and this includes the period from 1 October 2013.

2 Benefits include car allowance, business-related travel, healthcare, disability and life assurance. In 2013 for Grahame Gibson, the benefits value includes a total value of £42,290 relating to flights for him and his family between the UK and US. Benefit values include the costs of overnight accommodation and meals which HMRC treats as a taxable benefit and on which the company will pay tax in due course, although it does not consider such expenses to be benefits in the ordinary sense. The grossed-up amounts are £18,914 for Ashley Almanza, £8,471 for Himanshu Raja, £18,479 for Nick Buckles, £28,695 for Grahame Gibson and £35,218 for Trevor Dighton. Benefit values also include business-related local travel costs of £22,528 and £10,224 for Mr Almanza and Mr Raja respectively who bear the tax themselves.

3 The benefit values for 2012 are those from the 2012 annual report. They do not include estimates of the value of staff entertainment, taxable travel costs and the associated taxes met by the company but these are not expected to be significant.

4 In relation to the PSP, where the performance measures are substantially complete by the end of a particular year, the value of any award will be reported in the column for that year.

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

The following table shows a single total figure of remuneration in respect of qualifying services for the 2013 financial year for each non-executive director, together with the comparative figures for 2012. Aggregate non-executive directors' emoluments are shown in the last row of the table.

	Base fee		SID		Chair of Committee		Deputy Chair		Benefits		Total	Total
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
John Connolly	**348,000**	195,412	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**564**	300	**348,564**	195,741
Lord Condon	**24,540**	56,800	**4,537**	10,500	**7,582**	17,550	**n/a**	n/a	**4,026**	9,700	**40,685**	94,512
Adam Crozier	**56,800**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**528**	n/a	**57,328**	n/a
Mark Elliott	**56,800**	56,800	**5,896**	n/a	**17,550**	17,550	**n/a**	n/a	**12,445**	12,400	**92,691**	86,795
Winnie Fok	**56,800**	56,800	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**36,307**	36,300	**93,107**	93,107
Bo Lerenius	**24,540**	56,800	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**14,050**	33,700	**38,590**	90,520
Mark Seligman	**56,800**	56,800	**n/a**	n/a	**17,550**	17,550	**46,800**	46,800	**2,556**	2,600	**123,706**	123,706
Paul Spence	**56,800**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**45,530**	n/a	**102,330**	n/a
Clare Spottiswoode	**56,800**	56,800	**n/a**	n/a	**9,855**	n/a	**n/a**	n/a	**872**	900	**67,527**	57,672
Tim Weller	**42,600**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**417**	n/a	**43,017**	n/a
TOTAL											**1,007,545**	**742,053**

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

1 John Connolly was appointed in June 2012.

2 Lord Condon and Bo Lerenius retired on 6 June 2013.

3 Mark Elliott was appointed as chair of the Remuneration Committee and senior independent director on 6 June 2013.

4 Clare Spottiswoode was appointed as Chair of the Corporate Social Responsibility Committee on 6 June 2013.

5 Adam Crozier and Paul Spence were appointed on 1 January 2013.

6 Tim Weller was appointed on 1 April 2013.

7 Benefit values include the costs of travel, overnight accommodation and meals which HMRC treats as a taxable benefit, and on which the company will pay tax in due course, although it does not consider such expenses to be benefits in the ordinary sense.

8 The only benefits paid for non-executive directors in 2012 were business expenses which HMRC treats as a taxable benefit. Such expenses were not required to be disclosed in 2012 and so they were not recorded separately for each director. Therefore the benefits figures listed for 2012 are estimated and based upon 2013 data.

Ashley Almanza received £113,000 from Schroders plc and a fee of $33,000 as well as shares valued at $285,000 from Noble Corporation for his non-executive directorships referred to on page 48 and retained such remuneration. Mr Almanza uses his annual leave entitlement for Noble Corporation board meetings.

FURTHER NOTES TO THE SINGLE TOTAL FIGURE OF REMUNERATION TABLES

Executive directors' base pay

Ashley Almanza's base pay in 2013 as group CEO was £850,000 per annum.

Himanshu Raja's base pay as group CFO was £625,000 per annum.

Grahame Gibson's base pay was last increased in January 2011. He receives part of his salary in sterling and part in US$. The US$ element has been converted into sterling for the purposes of reporting, at the exchange rates prevailing in each month in which Grahame Gibson was paid.

2013 Annual bonus

In previous years, the annual performance-related bonus scheme was dependent on profit. However, during the financial year ending 31 December 2013, the annual bonus scheme rules were amended to include two other financial measures, organic growth and cash generation. The organic growth target which is measured against the budgeted percentage increase constituted 20% of maximum bonus. Cash generation measured against a cash conversion target was 15% with profit measured by achievement against budget being 35%. Non-financial strategic objectives linked to the delivery of the business plan were also introduced. These measures were personal objectives with 15% of maximum bonus attributable to strategic objectives taken from the business plan and a further 15% linked to objectives relating to the organisation such as people, CSR, risk, values etc. Each of the measures operated independently of the others.

The maximum bonus entitlement for the chief financial officer increased from 125% to 150% of base pay, while the maximum bonus entitlement for the chief executive (150% of base pay) and other executive directors (125% of base pay) remained unchanged; however, the maximum pay-out is only reached when the relevant stretch targets are achieved.

Bonuses are paid in cash up to 50% of their maximum entitlement. Where the bonus amount is in excess of 50% of the maximum bonus entitlement, the amount which exceeds 50% will be delivered in the form of a deferred share award which vests after a period of three years.

Payments approved by the committee under the 2013 bonus scheme were as follows:

For Ashley Almanza, given that he assumed the CEO role in a time of great uncertainty in June, the board asked him to focus on the achievement of high quality underlying profit for the portion of his bonus relating to the financial measures. In view of the part-year for which Ashley was CEO, we judged his delivery of £442 million of underlying operating profit against a budget of £439 million to be "on target". For the portion of his bonus relating to non-financial measures, the board asked Ashley to complete a thorough assessment of the root causes for our performance issues and to develop and implement the changes required for long-term success. The committee and the board noted in particular the following performance in concluding that Ashley has earned a maximum entitlement on the non-financial element of his bonus:

– Balance sheet – an equity placement in nine days and the aggressive management of cash-flow allowed us to reduce debt by £269 million and to improve our net debt to EBITDA ratio to 2.6x. The identification of underperforming assets with plans to fix or dispose delivered £124 million of proceeds with more to follow.

– Risk management – developed a new risk and assurance organisation and recruited professional staff to develop and implement new contract management processes.

– Customer engagement – personally led the work to understand delivery and billing issues with our UK MoJ contract. Ashley personally interacted with the UK Government to understand concerns and to develop a corporate renewal programme which when fully implemented will regain the trust of this important customer.

  This renewal programme sets the highest ethical standards and commitment to customer service as the standard behaviour expected throughout the organisation.

– Leadership – recruited new leaders for regional roles and a high calibre CFO to lead the transformation of the finance organisation and its process and procedures.

These scores lead to the following calculated bonus:

Based on his average base pay, Ashley's maximum potential bonus for a full year's service would have been £1,200,000 in the event of achievement of a stretch target, 30% of which would be attributable to non-financial objectives and the remainder to financial objectives.

The payment was prorated to take account of the different levels in base pay and the period for which he was employed, namely nine months. £270,000 was therefore paid in respect of non-financial objectives and £378,000 for the "on target" financial achievement. In accordance with the bonus plan rules, 30.55% of the bonus paid will be awarded as shares, deferred for three years.

The board is satisfied that Ashley has made very significant progress in establishing a foundation for long-term sustainable growth of quality earnings.

Himanshu Raja did not join the group until October. Himanshu's objectives included strengthening the group's audit and risk management functions, reviewing and applying balanced accounting judgements to the group's assets and liabilities and assessing prior year underlying performance, undertaking a financial review of the group's large contracts portfolio, developing and implementing a successful 2014 budget process and supporting the CEO with the group's transformation programme. The committee noted that excellent progress was made against each of these objectives and therefore awarded Himanshu a maximum prorated bonus of £234,375. Based on his base pay for a full year's service, Himanshu's maximum potential bonus would have been £937,500. The payment was prorated to take account of the period for which he was employed, namely three months. In accordance with the bonus plan rules, half of the bonus will be paid in shares, deferred for three years.

For Grahame Gibson, the payment of a bonus under the financial portion of the annual bonus scheme was dependant on the attainment of three financial objectives relating to the Americas region (PBITA, cash conversion and working capital reduction). Since the threshold targets for these objectives were not met, no bonus is payable under the financial portion. For the portion of his bonus relating to non-financial measures, Grahame was set a number of strategic objectives linked to the delivery of the Americas region's business plan such as portfolio management and progress on operational and financial efficiencies, as well as a number relating to the organisation such as succession planning and progress on health and safety. Having met a number of his non-financial objectives, Grahame was awarded a bonus of £103,000 (paid as $147,717 and £8,608.10), which represents 16.11% of his maximum bonus entitlement.

PERFORMANCE SHARE PLAN (PSP)

The PSP values shown in the 2013 and 2012 columns of the single figure table relate to the PSP awards made in March 2011 and March 2010, for the three-year EPS performance periods ended on 31 December 2013 and 31 December 2012 respectively. The performance measures and targets for these PSP awards are set out below:

Two-thirds of each award (2010 and 2011)		One-third of each award (2010 and 2011)	
Average annual growth in EPS – Period ending on 31 December in the third year	**Proportion of allocation vesting**	**Ranking against the bespoke comparator group by reference to TSR**	**Proportion of allocation vesting**
Less than global CPI + 4% pa	Nil	Below median	Nil
Global CPI + 4% pa (12% over 3 years)	25%	Median	25%
Global CPI + 4 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%
Greater than global CPI + 12% pa (33% over 3 years)	100%	Upper quartile	100%

The table below illustrates the company's performance against the 2010 PSP award targets and the resulting payout, shown in the 2012 column of the single figure table:

	Performance	Vesting (% of element)
Average annual growth in EPS	Increase of 2.65% pa	0%
Relative TSR	Ranked between 9th and 10th in peer group	0%
Total vesting		0% of maximum

The table below illustrates the company's performance against the 2011 PSP award targets and the resulting payout, shown in the 2013 column of the single figure table:

	Performance	Vesting (% of element)
Average annual growth in EPS	Fall of 10.8% pa	0%
Relative TSR	Ranked between 15th and 16th in peer group	0%
Total vesting		0% of maximum

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

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

Nick Buckles, Trevor Dighton and Grahame Gibson have ceased accruing pensions under the company's defined benefit scheme. A salary supplement in lieu of pension of 40% of basic salary was paid. Their pension transfer values in the defined benefits scheme (all figures are in £'000s) are shown in the table below.

	Pension input amount 2013	Pension input amount 2012	Total accrued annual pension at 31/12/13	Total accrued annual pension at 31/12/12	Date accrual ceased	Normal retirement date
Nick Buckles	0	0	0	411.6	5/7/2011	1/2/2021
Trevor Dighton	0	0	161.7	148.0	6/4/2011	30/7/2009
Grahame Gibson	0	0	21.7	20.0	6/4/2006	17/1/2013

Notes:

1 Nick Buckles transferred out the value of his G4S pension benefits on 15 December 2013. The transfer value was calculated using the same actuarial basis as that used by the Trustees of the Pension Scheme for all members.

2 In 2011, Grahame Gibson transferred the majority of his pension benefits to a private pension arrangement leaving a residual pension of £20K pa payable from age 60. Grahame Gibson has passed normal retirement date and the accrued pension shown includes the application of a late retirement factor.

3 Trevor Dighton has passed normal retirement date and the accrued pension shown for both 2012 and 2013 include the application of a late retirement factor.

4 The earliest date when entitlement to a pension arises without consent and without actuarial reduction is age 60 (the normal retirement date). There are no additional benefits available on early retirement before the normal retirement date.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Awards have been granted each year under the company's Performance Share Plan (PSP), generally in March, after the announcement of the company's results. PSP awards were made or deemed to be made to the executive directors in March 2013, save for the additional award for Ashley Almanza on his appointment as CEO, in accordance with the company's normal grant policy, as shown in the table below:

Director	Award type	Number of shares (see notes below for details)	Face value (£)	Performance condition	EPS Performance period	TSR Performance period	% vesting at threshold
Ashley Almanza	Conditional shares	777,367	2,151,426	50% TSR / 50% EPS	01/01/2013 – 31/12/2015	As per note 1 below	25%
Nick Buckles	Conditional shares	692,282[3]	2,074,998	50% TSR / 50% EPS	01/01/2013 – 31/12/2015	19/03/2013 – 19/03/2016	25%
Trevor Dighton	Conditional shares	340,302[4]	1,019,997	50% TSR / 50% EPS	01/01/2013 – 31/12/2015	19/03/2013 – 19/03/2016	25%
Grahame Gibson	Conditional shares	357,611	1,071,878	50% TSR / 50% EPS	01/01/2013 – 31/12/2015	19/03/2013 – 19/03/2016	25%
Himanshu Raja	Conditional shares	347,531	1,041,654	50% TSR / 50% EPS	01/01/2013 – 31/12/2015	19/03/2013 – 19/03/2016	25%

Notes:

1 Ashley Almanza was granted an award over 417,037 shares on his appointment as CFO. This award had a face value of £1,250,000 based on a share price of 299.733p. On 21 May 2013, a further conditional share award over 360,330 shares was made when his appointment as CEO was announced. This award had a face value of £901,426 based on a share price of 250.167p. The total number of shares awarded was calculated on a pro-rated basis. The EPS performance criteria are the same for both awards but the TSR reference periods are different as they relate to the dates of grant.

2 Himanshu Raja was granted an award over 347,531 shares on his appointment as CFO. This award had a face value of £1,041,654 based on a share price of 299.733p. The award is calculated on a pro-rated basis based on 30 complete months (between the appointment date and vesting date) relative to three years.

3 Nick Buckles' award has been reduced on a time pro-rated basis to 57,690 shares to reflect the period from the date of grant to 31 May 2013, when he ceased to be an executive director.

4 Trevor Dighton's award will be reduced on a time pro-rated basis to 160,698 shares to reflect the period from date of grant to 30 July 2014, when he will cease to be an employee.

PSP awards granted in 2013 have the following performance measures and targets:

Half of each 2013 PSP award		Half of each 2013 PSP award	
Average annual growth in EPS period ending on 31 December in the third year	**Proportion of allocation vesting**	**Ranking against the bespoke comparator group by reference to TSR**	**Proportion of allocation vesting**
Less than global CPI + 4% pa	Nil	Below median	Nil
Global CPI + 4% pa (11% over 3 years)	25%	Median	25%
Global CPI + 4 to 11% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%
Greater than global CPI + 11% pa (33% over 3 years)	100%	Upper quartile	100%

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

The executive directors are required to build up a minimum shareholding in G4S, as explained in the remuneration policy. Shares are valued for these purposes at the year-end price, which was 262.5p per share at 31 December 2013.

	Share ownership requirements (% of salary)	Number of shares owned outright		Share ownership requirements met?	Number of deferred shares held as at 31/12/2013	Total shares under PSP awards subject to performance[4]	Shares vested (but unexercised) PSP awards
		2013	2012				
Ashley Almanza	200%	100,000	n/a	No	0	777,367	0
Nick Buckles	150%	1,832,050[3]	1,832,050	Yes	0	795,633	0
Trevor Dighton	100%	825,090[3]	1,225,090	Yes	145,161	683,143	55,291
Himanshu Raja	150%	0	n/a	No	0	347,531	0
Grahame Gibson	150%	651,682	704,685	Yes	7,526	963,036	0

Notes:

1 Deferred share awards and PSP awards do not include the further shares with a value equivalent to the dividends which would have been paid in respect of shares received. The number of shares is gross and will be subject to tax when they are released.

2 In addition to the above, each of the directors has a deemed interest in the total number of shares held by the company's employee benefit trust. As at 31 December 2013, the trustee of the employee benefit trust held 6,934,564 shares (7,589,853 in 2012).

3 Number of shares owned outright shown as at 31 December 2013, except for Messrs Buckles and Dighton for whom they are shown as at 31 May 2013 and 6 June 2013 respectively. At 31 May 2013, Nick Buckles held 370, 568 deferred shares.

4 Shares under PSP awards include awards on a time pro-rated basis for Messrs Buckles and Dighton.

5 Includes any shares owned by connected persons.

6 On 12 March 2014, Himanshu Raja purchased 50,000 shares in the company. There have been no changes in the interest of each of the other directors between 31 December 2013 and the date of this report.

7 The table does not include the deferred shares which will be awarded to Ashley Almanza and Himanshu Raja in respect of the portion of their bonus which exceeds 50% of their respective maximum bonus entitlement.

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

	As at 31.12.2012	As at 31.12.2013
John Connolly	100,000	**100,000**
Lord Condon[1]	2,029	**n/a**
Adam Crozier	n/a	**0**
Mark Elliott	25,000	**25,000**
Winnie Fok	20,000	**20,000**
Bo Lerenius[2]	16,000	**n/a**
Mark Seligman	75,496	**75,496**
Paul Spence	n/a	**10,000**
Clare Spottiswoode	0	**4,681**
Tim Weller	n/a	**37,570**

1 Interests for Lord Condon shown as at 6 June 2013.

2 Interests for Bo Lerenius shown as at 6 June 2013.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

No payments have been made to former directors of the company during the financial year ended 31 December 2013 other than those payments set out in the payments for loss of office section.

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

Nick Buckles

Nick Buckles was entitled under the terms of his contract to payment for a 12 month notice period, comprising the following elements:

- Base pay of £69,167 per month
- Car allowance of £1,667 per month
- Cash allowance in lieu of pension of £27,666 per month

The total payment made for his 12 month notice period was £1,182,000 and was paid subject to the normal withholding of payroll taxes. The monthly payments were made up to and including August. In September, the balance of the payments relating to the 12 months' notice was paid.

Nick Buckles did not receive any bonus payment, nor did he receive any award under the PSP, for the duration of his 12-month notice period. His unvested awards under the PSP were reduced on a time pro-rated based on the period from the dates of grant to 31 May 2013.

The company paid for the cost of outplacement advice and services, which was £48,000.

Non-cash benefits, including medical insurance of £1,892 and a gift (valued at £12,890 exclusive of associated taxes) in recognition of his long service were also provided to Mr Buckles.

Trevor Dighton

Trevor Dighton remained an employee after he stepped down from the board at the conclusion of the 2013 AGM. The terms of his employment between 7 June 2013 and 30 July 2013 were in respect of contractual service performed and equalled his normal monthly salary.

Trevor Dighton was served notice on 24 July 2013 in accordance with his contract of employment pursuant to which he will cease to be an employee on 30 July 2014. Trevor Dighton is entitled under the terms of his contract to payment comprising the following until his departure on 30 July 2014:

- Base pay of £42,500 per month
- Car allowance of £1,333.33 per month from 1 September 2013 following the return of his company car
- Cash allowance in lieu of pension of £17,000 per month.

The total payment made for the period from 1 August 2013 to 31 December 2013 was £302,833.

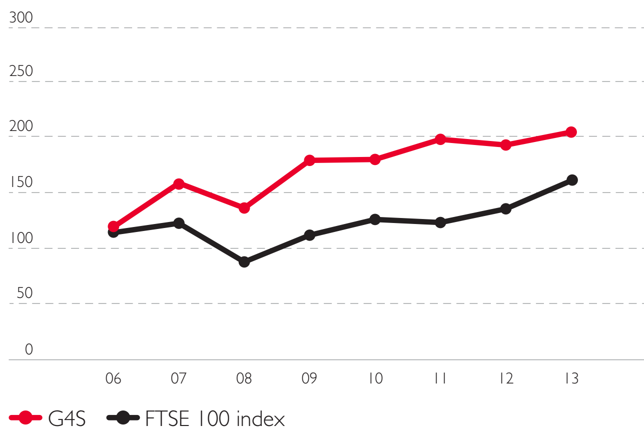
The total payment due to be made for the period 1 January to 30 July 2014 is anticipated to be £425,833.

Mr Dighton has not received any bonus in respect of the year under review. His unvested awards under the PSP will be pro-rated to 30 July 2014.

PERFORMANCE GRAPH AND TABLE

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

2006 – 2013 TOTAL SHAREHOLDER RETURN



CEO'S PAY IN LAST EIGHT FINANCIAL YEARS

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

Notes:

1 Nick Buckles stepped down as CEO on 31 May 2013 and Ashley Almanza took over as CEO from 1 June.

2 After July 2011, the CEO's total single figure of annual remuneration included payment in lieu of pension. This was 40% of base pay for Nick Buckles and is 25% of base pay for Ashley Almanza. Prior to July 2011, a notional sum equal to 40% of relevant base pay has been included. The value of shares that vested in the relevant year under the PSP (or a notional value in the case of shares vested but unexercised) have been included in the prior year's CEO's total figures since that is the most relevant year for measurement of performance.

3 Prior to 2013, the CEO's total single figures did not include taxable expenses.

PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2012 and 2013 compares with the percentage change in the average of each of those components of pay for a selected group of G4S employees. The Remuneration Committee has chosen all employees in the UK as the group which should provide the most appropriate comparator.

	Percentage change in remuneration between 2012 and 2013		
	Salary	Benefits	Annual bonus
CEO	1.4%	0.1%	See note 2
Average increase for all other UK employees	8.2%	9.7%	See note 3

1 The CEO's benefits for 2013 were calculated on a like for like basis and therefore do not include taxable business expenses and grossed up tax and NIC payable thereon. In future years, the comparison will include such taxable business expenses and the baseline cost for 2013 will be £84,820.

2 There was no bonus paid to the CEO in 2012.

3 Information on bonuses is not available for all other UK employees.

G4S employs more than 618,000 employees globally. Inflation is a key driver of general increases in salary and the structure of the benefits provided is often driven by the local market practice. Hence, as the CEO is based in the UK, employees in the same country rather than all employees within the group have been chosen as the comparator.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

Disbursements	2013	2012	Change
Dividends paid	£130m	£120m	8.3%
Total employee costs	£5,441m	£5,452m	-0.2%

1 There were no share buy-backs effected in either year.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2014

Our Remuneration Policy for directors as set out on pages 66 to 72 will, if approved, take effect following the 2014 AGM and will then be implemented on the basis set out in this report. Some elements of pay for executive directors, forming a significant proportion of the total reward available, are subject to the achievement of performance conditions.

Base pay

The committee agreed to freeze base pay for executive directors in 2009 and 2010 and again in 2012 and 2013, in view of the economic circumstances and the pay and employment conditions across the group. For 2014 at the annual pay review, it was decided to increase Mr Almanza's base pay by just under 5% whilst no change was made to the base pay of the other two executive directors.

Annual Bonus Scheme

The annual bonus for the financial year ending 31 December 2014 will be consistent with the policy detailed in the remuneration policy section of this report in terms of the maximum bonus opportunity, deferral and claw-back provisions. The committee selects for each executive director, from a range of financial and non-financial measures which support the group's key strategic objectives. The range of financial measures includes group profit, organic growth and operating cash flow. The non-financial measures are based on the core values and include the following key areas:

– Health & safety
– Customer service and retention
– People and organisation
– Operational excellence
– Business development
– Values

Between 70% and 85% of the bonus will be based on financial measures and the balance will be based on non-financial measures. Details of the performance measures and targets are commercially sensitive. They will be disclosed in the 2014 report when they are no longer commercially sensitive.

Performance Share Plan

Awards will be granted under a new LTIP, subject to shareholder approval at the 2014 AGM.

Details of the new LTIP are as set out in the summary of the scheme on pages 156 and 157.

The Remuneration Committee considers that a combination of earnings per share growth, total shareholder return and cumulative cash flow targets are the most appropriate performance measures for 2014 awards, as they provide a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders.

PERFORMANCE MEASURES FOR LONG TERM INCENTIVES TO BE AWARDED IN 2014

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

The company's current policy is to use market purchased shares to satisfy performance share plan awards. The new plan will continue to do the same.

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

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

Adjustments to the EPS will be made in respect of:

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

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

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

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

TSR ranking will be verified externally.

Non-executive directors' remuneration

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

ADVISERS TO THE REMUNERATION COMMITTEE

For the period to October 2013, the Remuneration Committee received advice from Towers Watson Limited as the committee's appointed adviser on executive and senior management remuneration matters. After a tendering process, the Remuneration Committee appointed Deloitte as its independent adviser on 17 October 2013.

Towers Watson has also provided and will continue to provide management remuneration information in respect of senior management below the level of the group executive committee. The Remuneration Committee has satisfied itself as to the independence of Deloitte. Deloitte is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in the UK.

Adviser	Services provided to Rem Co	Other services provided to company	Fees
Towers Watson	Advice on executive remuneration and pay benchmarking	Provision of market remuneration data for senior management and collation of pension data for accounting purposes	£51,000
Deloitte	Advice on executive remuneration	Employment tax advice on expatriate and share plans along with corporate tax advice and other consulting services provided by different parts of Deloitte.	£23,250
Alithos	TSR – vesting indications for in-flight plans and verifying the TSR vesting percentage and advice on potential peer group constituents	None	£10,500

Herbert Smith Freehills LLP (HSF) provided legal advice to the company throughout the year, including in relation to the operation of the company's incentive arrangements and on executive directors' service agreements. This advice was available to be considered by the Remuneration Committee. HSF has also advised the Remuneration Committee on compliance with the new regulations relating to directors' remuneration.

The CEO (Nick Buckles to 31 May 2013 and from 1 June 2013, Ashley Almanza) provided guidance to the Remuneration Committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden, and the director of compensation and benefits Sok Wah Lee. Neither the CEO nor the HR director participated in discussions regarding their own remuneration.

The Remuneration Committee is satisfied that the advice it received during the year was objective and independent based on the experience of its members generally.

The table below sets out the members of the Remuneration Committee who were present during any consideration of directors' remuneration, and shows the number of meetings attended by each director:

Name	Number of meetings attended
Lord Condon	3/3
Mark Elliott	6/6
Winnie Fok	6/6
Mark Seligman	6/6
Clare Spottiswoode	5/6

STATEMENT OF VOTING AT GENERAL MEETING

An ordinary resolution to receive and approve the Directors' Remuneration report contained in the annual report for the year ended 31 December 2012 was passed at the company's annual general meeting which took place on 6 June 2013, with 78.4% of the votes in favour and 21.58% against. 28,733,156 votes were withheld. It is believed that many of the votes against and abstentions were prompted by a recommendation from one of the proxy adviser firms which expressed concern about an increase in the PSP allocations in 2013. The then chairman of the Remuneration Committee and his successor have consulted widely with key shareholders and shareholder representatives to explain the rationale for the policy adopted in 2013 and that proposed for the future.

Following his appointment as chairman of the Remuneration Committee, Mark Elliott has also undertaken an extensive process of consultation with major shareholders on the proposed new LTIP.

Mark Elliott
Chairman of the Remuneration Committee

31 March 2014

For the year ended 31 December 2013

This is the report of the directors of the board of G4S plc for the year ended 31 December 2013.

1. THE COMPANY

G4S plc is a parent company with subsidiaries, associated undertakings and joint ventures in numerous jurisdictions. G4S plc has its primary listing on the London Stock Exchange and a secondary listing on the NASDAQ OMX exchange in Copenhagen.

2. REPORTING OBLIGATIONS

In compliance with relevant listing rules and in particular DTR4.1.5.R and DTR4.1.8R, the annual report contains the consolidated result for the year, shown in the consolidated income statement on page 94, a management statement contained in the Strategic Report and in the Directors' report and responsibility statements on pages 80 to 83.

Details of the development and performance of the group's business during the year, its position at the year end, future developments, principal risks and uncertainties and prospects of the group and other information which fulfils the requirements of a management report are contained on pages 4 to 7 of the Strategic Report and are incorporated by reference in this Report of the Directors. The Corporate Governance report, the Audit Committee report, the Directors' Remuneration report set out on pages 64 to 79 and the Chief Financial Officer's review on pages 84 to 89 are also incorporated in this report by reference. The group's financial risk management objectives and policies in relation to its use of financial instruments, and its exposure to price, credit, liquidity and cash flow risk, to the extent material, are set out in note 32 to the consolidated financial statements on pages 124 to 127 which is also incorporated by reference in the Report of the Directors.

3. DIVIDENDS

The directors propose the following net dividend for the year:

- Interim dividend of 3.42p (DKK 0.2972) per share paid on 18 October 2013
- Final dividend of 5.54p (0.4954DKK) per share payable on 13 June 2014

Shareholders on the Danish VP register will receive their dividends in Danish kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish kroner, in which case they should apply in writing to the Registrars by no later than 2 May 2014.

4. SIGNIFICANT BUSINESS ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

- In January 2013, Deposita Systems (Pty) was acquired in South Africa
- In February 2013, a settlement agreement was entered into with LOCOG in the UK in relation to the Olympics contract
- In August 2013, G4S plc completed a placing of shares which resulted in the issue of 140,925,797 new ordinary shares of 25 pence each at a price of 247 pence per placing share raising gross proceeds of approximately £348.1 million
- In September 2013, G4S Secure Data Solutions Colombia S.A.S and G4S Document Delivery S.A.S were disposed of in Colombia
- In January 2014, G4S Cash Solutions (Canada) Limited was disposed of in Canada
- In January 2014, G4S Holdings (Norway) AS was disposed of in Norway
- In March 2014, a settlement agreement was entered into with the Ministry of Justice in the UK in relation to contracts for electronic monitoring services provided between 2005 and 2013 and two facilities management contracts.

5. CAPITAL

Following the issue on 28 August 2013 of 140,925,797 new ordinary shares in the company's capital (the "Placing"), representing approximately 9.99 per cent of the company's issued share capital prior to the Placing, the issued share capital of G4S plc at 31 December 2013 consisted of 1,551,594,436 ordinary shares of 25 pence each. The number of shares in issue as at 31 March 2014 remains unchanged.

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's annual general meeting. The resolutions are set out in the Notice of Meeting on pages 151 and 152 and further explanation is provided on pages 154 to 157. At 31 December 2013 the directors had authority in accordance with a resolution passed at the company's annual general meeting held on 6 June 2013 to make market purchases of up to 141,066,000 of the company's shares.

The company does not hold any treasury shares as such. However, the 6,934,564 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 137 (note 37 to the consolidated financial statements) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

6. SIGNIFICANT AGREEMENTS

The company is party to a GBP1,100,000,000 multi-currency revolving credit facility agreement which requires prompt notification of a change of control event following which funds committed but unutilised could be cancelled and repayment of outstanding commitments would need to be made within 45 days.

The company entered into two US Private Placement Note Purchase Agreements (the "USPP Agreements"), on 1 March 2007 and 15 July 2008 respectively. The first USPP Agreement is for USD 550,000,000 and series A-D senior notes mature between 1 March 2014 and 1 March 2022. The second USPP Agreement is for USD 513,500,000 and GBP 69,000,000 and series B-F senior notes representing USD 448,500,000 and GBP 69,000,000 remain outstanding and will mature between 15 July 2015 and 15 July 2020. Under the terms of both USPP Agreements, the company is required to offer the note holders to purchase the notes at par value together with interest thereon upon a change of control.

Under the terms of the GBP 2,000,000,000 Euro Medium Term Note Programme under which the company issued three tranches of Medium Term Notes (MTNs) to various institutions on 13 May 2009 (GBP 350,000,000), 2 May 2012 (Euro 600,000,000) and 6 December 2012 (Euro 500,000,000), In the event of a change of control, a put option comes into force, according to which holders of any MTN may require the company to redeem the MTNs at par if the MTNs carry a sub-investment grade in the period immediately prior to the change of control, or in certain circumstances where the MTNs are downgraded to sub-investment as a result of the change of control.

7. RESEARCH AND DEVELOPMENT EXPENDITURE

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written-off to profit and loss during the year amounted to £5 million (2012: £5 million).

8. EMPLOYEES

High levels of employee engagement are crucial to the success of our business. Making our people feel valued and able to contribute fully in their roles helps ensure they can deliver excellent customer service and in turn improves business performance.

To measure levels of engagement the company conducts regular employee surveys across the organisation. The latest survey, conducted in 2013, was the most comprehensive to date, with over 62% (380,000) of employees responding. To encourage employees to participate, the survey was offered both online and in a paper version in 31 languages. The questions in the survey were based around the employment engagement model, or PRIDE, and asked employees to rate the extent to which the company takes steps to protect, respect, involve, develop and engage them. The responses to these questions showed positive improvements, with 82% of employees responding favourably compared to 80% when the last employee survey was conducted in 2011. Having shared the survey results, businesses in each country are now implementing the action plans they have developed to address areas identified for improvement.

We value the constructive relationships we have with unions globally, regionally and locally. With over a third of our employees covered by collective agreements, unions provide additional opportunities for sharing information with employees on the company's performance and consulting them on decisions likely to affect their interests.

Protecting our people is a key challenge especially where they work in roles and environments where the risk of harm is high. As the reduction in work-related fatalities indicates, we have made some progress in 2013, but there is much more to be done. In 2014 the increased resources, improved processes and leadership commitment to health and safety will ensure more progress is made.

With employees in six continents and 120 countries, the diversity of ideas and thinking available to the business is a competitive advantage and one we seek to safeguard by having employment policies and procedures that do not discriminate. Creating an inclusive workplace where everyone can flourish regardless of their background is often an important factor that influences people's decision to join, to stay and to recommend the company to others. Offering the same opportunities for training, development and promotion and making reasonable adjustments to support new employees or people who have become disabled during the course of their employment with G4S is just one example of how we strive to create an inclusive environment.

9. FINANCIAL INSTRUMENTS

Details of the financial risk management objectives and policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange risk are given in note 32 to the consolidated financial statements.

10. POLITICAL DONATIONS

Each year shareholders of the company have passed a resolution, on a precautionary basis, to allow the company and its subsidiaries to make political donations to political organisations or incur political expenditure not exceeding £50,000. However, the board confirms that the group's policy is not to make any financial contribution to political parties and that the company and its subsidiaries have made no contributions during the year to political parties carrying on activities, or to candidates seeking election within the EU, or anywhere else in the world.

11. GREENHOUSE GAS EMISSIONS

Our customers and employees demonstrate increasing concern for environmental issues. Whilst our environmental impact is not significant relative to other businesses of comparable size, it remains important to us to be efficient in the use of resources and, in doing so, to curtail, where possible, our greenhouse gas emissions. We are required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions for 2013 and information about the group's actions to reduce them are set out on page 46 and form part of the Directors' report.

For further details of our Climate Action Programme and the methodology used, please refer to our 2013 CSR report or visit www.g4s.com/cap

12. SUBSTANTIAL HOLDINGS

The company had been notified under DTR 5 of the following interests in the ordinary capital of G4S plc:

As at 31.12.2013

Invesco	250,071,735(16.11%)
Cevian Capital II G.P Limited	72,142,365 (5.11%)*
Tweedy, Brown Company LLC	71,420,862 (5.06%)*
William H Gates III	45,224,081 (3.2%)*

These figures represent the number of shares and percentage held as at the date of notification to the company.

* Notifications received prior to the increase in the company's share capital on 28 August 2013. These percentages were therefore based on the lower number of shares in issue at that time.

Between 1.1.2014 and 31.3.2014

Prudential plc group of companies	82,292,546 (5.30%)

13. AUDITOR

A resolution to re-appoint KPMG Audit Plc, chartered accountants, as auditor to the company and for their remuneration to be fixed by the directors will be submitted to the annual general meeting.

14. DIRECTORS

The directors, biographical details of whom are contained on pages 48 and 49, held office throughout the year with the exception of Tim Weller who was appointed to the board on 1 April 2013, Ashley Almanza, who was appointed to the board on 1 May 2013, and Himanshu Raja who was appointed to the board on 7 October 2013. Nick Buckles stepped down from the board on 31 May 2013 and Trevor Dighton, Bo Lerenius and Lord Condon retired on 6 June 2013.

In accordance with the code provisions on re-election of directors in the UK Corporate Governance Code 2012, each of the directors continuing in office will offer themselves for re-election (or, in the case of Himanshu Raja, election). The board believes that the directors standing for re-election possess experience and expertise relevant to the company's operations; that they continue to be effective; that they are committed to the success of the company; and that they should be re-elected at the annual general meeting.

Mr Raja has been appointed to the board since the last annual general meeting and so he would, in any event, be required to retire in accordance with the company's articles of association. Being eligible, he offers himself for election. The board believes that Mr Raja's extensive experience of leading financial discipline in large and complex global organisations, strong track record of streamlining financial reporting systems and processes to improve controls and visibility of business performance and building strong relationships with the investor community, adds significant value to the board and therefore recommends that he is elected at the annual general meeting.

The contracts of service of the executive directors have no unexpired term since they are not for a fixed term. They are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

The company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 and have been in effect since 3 November 2006 for Mark Elliott, Mark Seligman and Grahame Gibson, 14 June 2010 for Ms Spottiswoode, 1 October 2010 for Ms Fok, 8 June 2012 for Mr Connolly, 1 January 2013 for Messrs Spence and Crozier, 1 April 2013 for Mr Weller, 1 May 2013 for Mr Almanza and 7 October 2013 for Mr Raja. Copies of the forms of indemnity are available on the company's website. In addition, indemnities have been granted by the company in favour of certain of the directors of certain of the group's subsidiaries in the UK, Germany and the Netherlands. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including the interests of their connected persons) in the share capital of G4S plc and of the directors' remuneration are set out on pages 64 to 79.

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

None of the directors had a material interest in any contract significant to the business of the group during the financial year.

By order of the board

Peter David
Company Secretary

31 March 2014

Directors' responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

– for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the directors, the names of whom are set out on pages 48 and 49 of this annual report, confirms that, to the best of his or her knowledge:

– the financial statements in this annual report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the company and the group taken as a whole; and

– the management report required by DTR4.1.8R (contained in the Strategic Report and the Directors' report) includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties they face

The Strategic Report from the inside front cover to page 47 and pages 84 to 89 includes information on the group structure, the performance of the business and the principal risks and uncertainties it faces. The financial statements on pages 94 to 150 include information on the group and the company's financial results, financial outlook, cash flow and net debt and balance sheet positions. Notes 23, 27, 28, 31 and 32 to the consolidated financial statements include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks. In addition to the above, the directors have considered the group's cash flow forecasts for the next 12 months. The directors are satisfied that these cash flow forecasts, taking into account reasonably possible risk sensitivities associated with them and the group's current funding and facilities and its funding strategy, show that the group will continue to operate for the foreseeable future.

Accordingly, the directors have a reasonable expectation that the group and company will continue to operate within the level of available funding for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The statement of directors' responsibilities and the Strategic Report was approved by a duly authorised committee of the board of directors on 31 March 2014 and signed on its behalf by Himanshu Raja, chief financial officer.

31 March 2014

A solid underlying performance

This section presents a summary of our financial performance, providing commentary on the group's underlying and reported results. During the year, the group took the opportunity to enhance its results presentation by separately disclosing the underlying business performance from restructuring and other specific items.

Himanshu Raja
Chief Financial Officer

"Our strong market positions and focus on operational excellence, operating cost reduction and cash flow generation, provide a platform for sustainable growth in profit and cash flow in the medium term."

INTRODUCTION

The continued opportunities we see in our emerging and developed markets are mirrored in the financial results. The group's underlying revenue increased by 5.8%. Emerging markets grew by 16% and now represent 37% of the group's total revenue and 44% of the group's underlying PBITA. In our developed markets, revenue overall was flat on 2012, with growth of 2% in the UK & Ireland, no change in North America and Europe down 2%.

Underlying PBITA was £442m[1], an increase on £430m[2] in 2012, reflecting solid progress during the year. In the fourth quarter, we accelerated the restructuring of some of our businesses which, together with the actions taken in the first-half, resulted in a restructuring charge of £68m for the full year. This will help to improve the market competitiveness of those businesses and improve profitability, with paybacks generally in the range of 12-36 months.

In terms of specific items, we undertook an extensive review of the balance sheet to assess the carrying value of the group's assets and liabilities. This resulted in a total specific items charge of £182m to PBITA and a £46m charge to goodwill impairment. The balance sheet at 31 December 2013 is therefore on a more balanced footing.

We also carried out a global financial review of 163 contracts with annualised revenues of around £2bn which together with the settlement for the UK Electronic Monitoring contracts and two smaller contracts resulted in a £136m charge.

The balance sheet and contract reviews, together with the settlement with the MoJ and our restructuring programmes, resulted in a £386m charge to profits in 2013 and contributed to a decrease in net assets, which fell to £919m (2012: £1,231m).

The resulting total PBITA for the year was £56m (2012: £364m).

Cash flow from continuing operations improved by 36% to £460m. The group has previously highlighted its focus on cash and free cash flow, and this remains a key target in 2014.

During the year, we also strengthened the financial position of the group. The group raised £343m from a 9.99% share placing in August and has taken a disciplined approach to managing the portfolio of G4S businesses. We disposed of our Colombia secure archiving business. Together, these steps helped to reduce net debt to £1,533m as at 31 December 2013. This has also improved the group's net debt to EBITDA ratio to 2.6x. Since the end of the year, we have also completed the divestment of businesses in Norway and Canada, raising net proceeds of £89m.

Underlying EPS was 14.7p against 15.8p in 2012 and total loss per share was 24.9p, compared with earnings per share of 2.9p in 2012. The group has declared a final dividend of 5.54p (2012: 5.54p), making the total dividend for the year 8.96p (2012: 8.96p).

Strengthening our capability
The group has grown rapidly, both organically and through acquisition, resulting in considerable variation in financial capability, operational systems and processes across the world, including manual processes.

We are committed to maintaining disciplined financial management. We have begun a process of change to significantly strengthen our finance capability by bringing in people with experience of operating in a global finance organisation. We are also moving to regional shared service centres which will further strengthen the control environment and bring greater consistency to our finance operations, whilst at the same time reducing costs. The shared service centres will act as a platform to bring further activities into shared service environments to get the benefits of scale in being part of a large global organisation.

On the operational front, we are committed to standardising certain operational processes and procedures across the business. These include programmes on direct labour efficiency, organisational efficiency, vehicle route planning, telematics, IT standardisation and procurement. Over time this will drive operational improvement and reduce costs at the same time.

Outlook
Demand for the group's services and products remains robust, as reflected in 5.8% revenue growth and the potential in the global sales pipeline of £5 billion. (see page 19).

Our focus in 2014 is to continue to invest in organic growth and operational capacity and for the on-going and accelerated restructuring of a number of our businesses to begin to deliver benefits in 2014. In the medium term we expect the group to deliver attractive revenue growth and we expect that operational actions across a wide range of areas will underpin our plans to deliver sustainable growth in profit and cash flow in the medium term.

BASIS OF PREPARATION

The following discussion and analysis is based on, and should be read in conjunction with, the consolidated financial statements, including the related notes, that form part of this annual report. The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and as adopted by the EU. A reconciliation of non-EU IFRS prior period results is set out on page 86.

GROUP FINANCIAL PERFORMANCE

Summary Income Statement

	Underlying results 2013 £m	Specific items 2013 £m	Total 2013 £m	Underlying results 2012[2] £m
Revenue	7,428		7,428	7,024
PBITA (pre-restructuring)	442	(318)	124	430
Restructuring	–	(68)	(68)	–
PBITA	442	(386)	56	430
Amortisation of intangible assets	–	(72)	(72)	–
Goodwill impairment	–	(46)	(46)	–
Acquisition related expenses	–	(4)	(4)	–
Profit on disposal of assets and subsidiaries	–	24	24	–
PBIT	442	(484)	(42)	430
Net finance expenses	(128)	–	(128)	(117)
PBT	314	(484)	(170)	313
Tax	(75)	19	(56)	(69)
PAT	239	(465)	(226)	244
Loss from discontinued operations	–	(116)	(116)	–
Profit/(loss) for the year	239	(581)	(342)	244
Attributable to:				
Equity holders of the parent	214	(576)	(362)	222
Non-controlling interests	25	(5)	20	22
Profit/(loss) for the year	239	(581)	(342)	244
Earnings per share: Basic and diluted	14.7p		(24.9p)	15.8p

Refer to footnotes on page 89

Prior year reconciliation from total to underlying results
Prior year results have been re-presented to clearly show the impact of net charges arising from the balance sheet review of assets and liabilities performed in 2013 (more details are given in note 3), restructuring costs and the Olympics contract. The group considers that this presentation provides readers with a clearer understanding of comparative underlying performance and trends. A reconciliation of reported statutory results to underlying results is set out below. The £40m prior year impact of the review of assets and liabilities in 2013 relates mainly to a write-down of receivables and obsolescent inventory.

	December 2012	
	Revenue £m	PBITA £m
Total results as reported in the income statement	**7,228**	**364**
Foreign exchange	8	–
Total results as reported at current exchange rates	**7,236**	**364**
Exclude impact of Olympics contract	(204)	88
Add back: restructuring costs	–	42
Less: One-off credits	–	(24)
2012 results at current rates	**7,032**	**470**
Impairment of fixed assets	–	(3)
Current asset write-downs	–	(4)
Impairment of receivables	(8)	(28)
Creditors, claims and provisions	–	(5)
Total prior year impact of review of assets and liabilities in 2013	**(8)**	**(40)**
Underlying 2012 results at current rates	**7,024**	**430**

Revenue
Organic growth was 4.7%. Contributions from acquisitions in South Africa and Indonesia in 2013 and a current year benefit from acquisitions in Brazil in 2012 helped the group's underlying revenue increase by 5.8%. Emerging markets grew by 16% and now represent 37% of the group's total revenue (2012: 34%). In our developed markets, revenue overall was flat on 2012, with 2% growth in the UK, no change in North America and Europe down 2%.

Gross margin

	2013 £m	2012 £m
Revenue	**7,428**	7,024
Cost of sales	**(5,941)**	(5,563)
Gross profit	**1,487**	1,461
Gross margin (%)	**20.0%**	20.8%

Underlying gross margin declined by 80 basis points to 20.0% (2012: 20.8%) for the year ended 31 December 2013. Developed markets declined 120 basis points to 18.8% (2012: 20.0%) mainly as a result of challenging economic conditions in the UK and Europe and the impact of Federal spending cuts affecting both our secure solutions and technologies businesses in the US. Emerging markets gross margins were broadly in line at 22.1% (2012: 22.4%), the decline was in Africa with margins effectively maintained in Latin America and Asia Middle East.

Underlying revenue in the prior year excludes specific items. Underlying cost of sales in both years excludes specific items as described in note 8 on page 108.

PBITA
Group underlying PBITA was £442m[1], an increase of 2.8% on the prior year (2012: £430m)[2]. Emerging markets generated 44% of PBITA (2012: 36%). See the Business review on pages 28 to 33.

The underlying PBITA margin was 6.0% (2012: 6.1%).

Specific items
Specific items have been excluded from the underlying results to provide a clear comparison of the underlying trading performance of the group. Those items are set out below:

	As at 30 June 2013 £m	Since 30 June 2013 £m	**As at 31 December 2013 £m**
Contracts review	–	**136**	**136**
Review of assets and liabilities			
Impairment of fixed assets	23	3	26
Current asset write-downs	17	17	34
Impairment of receivables	52	7	59
Creditors, claims and provisions	40	23	63
Total review of assets and liabilities	**132**	**50**	**182**
Subtotal	**132**	**186**	**318**
Restructuring	**4**	**64**	**68**
Total specific items	**136**	**250**	**386**

Contracts review
A global financial review of 163 contracts with annualised revenues of around £2bn, which together with the settlement for the UK Electronic Monitoring contracts and two smaller contracts resulted in a £136m charge.

Review of assets and liabilities
A review of the group's assets and liabilities was initiated in the first half of 2013, resulting in a PBITA charge of £132m. This was extended to cover all legal entities during the second half of the year. Completion of this review resulted in a further charge of £50m, bringing the full-year charge to PBITA of £182m. The total charge related principally to impairment of fixed assets, inventory obsolescence, write down of receivables and the recognition of employer related liabilities. The group's balance sheet is therefore on a more balanced footing as at 31 December 2013.

Restructuring
Following the strategic review over the summer, we identified opportunities to significantly enhance the competitiveness of some of our businesses and to reduce overheads, specifically in the UK & Ireland and in certain European operations, resulting in £35m of restructuring programmes announced in August 2013.

Acceleration of the restructuring programme in the fourth quarter, primarily in the Netherlands, Belgium and Finland, resulted in additional charges of £33m.

Amortisation and impairment
Acquisition-related intangible assets included in the balance sheet at 31 December 2013 consisted of £1,966m goodwill, £137m customer-related intangible assets and £4m other intangible assets.

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £72m (2012: £84m).

Goodwill is not amortised, but it is tested for impairment annually. As a result of the group's impairment test for the year ended 31 December 2013, the group incurred an impairment charge of £46m to continuing operations (mainly relating to the technology business in Brazil; see note 19 on page 117 for details) and a further £80m to discontinued operations (relating to the US Government Solutions business; see note 7 on page 108 for details).

Net finance expense
Net interest payable on net debt was £108m. This is a net increase of 2.9% over the prior year cost of £105m, principally due to the increase in the group's average gross debt in the first-half of the year. The pension interest charge was £20m (2012: £15m), resulting in total net finance costs of £128m (2012: £120m).

The group's average cost of gross borrowings in 2013, net of interest rate hedging, was 4.1%, compared to 4.3% in 2012. The cost based on prevailing interest rates at 31 December 2013 was 3.7%, compared to 3.9% at 31 December 2012.

Taxation
The underlying taxation charge of £75m represents an effective tax rate of 24%, an increase from 22% in 2012. The cash tax rate is 18% compared to 23% in 2012.

The group's target is to maintain the effective tax rate in the short term. The amortisation of acquisition-related intangible assets gives rise to the release of the related proportion of the deferred tax liability established when the assets were acquired, amounting to £21m (2012: £25m).

Disposals and discontinued operations
In August 2013, the group sold its Colombian secure archiving business for £34m and its cash business in Slovakia for £1m. In January 2014 the group completed the sale of its cash solutions business in Canada and its remaining business in Norway for total proceeds of £89m. The cash solutions business in Canada, the business in Norway and the US Government Solutions business were classified as held for sale as at 31 December 2013 and therefore their results have been included within discontinued operations in the income statement.

The classified US Government Solutions business continues to be classified within discontinued operations as at 31 December 2013 as it was held for sale at that date. Due to the restrictions on US Government spend during the year, the sale process has been extended but the group is confident a sale will be finalised in 2014.

During the prior year the group disposed of its cash solutions business in Sweden in February 2012, its businesses in Poland in September 2012, its justice services businesses in the United States and Canada in April 2012 and its security solutions business in Pakistan in October 2012.

The total loss from discontinued operations of £116m (2012: £56m) includes a post-tax trading loss of £11m, restructuring costs of £2m and an impairment charge of £103m, of which £80m relates to goodwill impairment in the US Government Solutions business.

The contribution to the turnover and operating profit of the group from discontinued operations is shown in note 6 on page 106 and their contribution to net profit and cash flows is detailed in note 7 on page 108.

Consolidation of subsidiaries
The group has a diverse set of complex ownership structures, often driven by local laws and regulations relating to foreign ownership. As set out in note 3 and on pages 103 to 104, the group has not adopted early the new consolidation standards, IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'. Had the group applied IFRS 10 and IFRS 11, revenue would have been £317m lower (2012: £277m lower) and PBITA would have been £32m lower at £410 (2012: £27m lower at £443m). As shown on page 104, profit to equity holders would have been unchanged.

Non-controlling interests
Profit attributable to non-controlling interests was £20m in 2013, a slight decrease on £22m for 2012, mainly due to the partners' share of specific charges in the year.

Loss for the year
The group made a loss of £342m (2012: profit of £62m) for the year after specific items, interest, tax, amortisation and the results of discontinued operations.

Earnings per share (EPS)

	Underlying[1] earnings per share		
	2013 £m	2012[2] at constant exchange rates £m	2012[2] at actual exchange rates £m
Profit for the year	239	244	244
Non-controlling interests	(25)	(22)	(22)
Adjusted profit attributable to shareholders	214	222	222
Average number of shares (m)	1,452	1,403	1,403
EPS (p)	**14.7p**	**15.8p**	**15.8p**

	Total[3] (loss)/earnings per share		
	2013 £m	2012 at constant exchange rates £m	2012 at actual exchange rates £m
Los/(profit) for the year	(342)	62	62
Non-controlling interests	(20)	(22)	(22)
Adjusted (loss)/profit attributable to shareholders	(362)	40	40
Average number of shares (m)	1,452	1,403	1,403
EPS (p)	**(24.9)p**	**2.9p**	**2.9p**

Underlying earnings per share was 14.7p compared to 15.8p in the prior year. Total loss per share was 24.9p (2012: earnings per share 2.9p). These are based on a weighted average number of shares in issue of 1,452 million (2012: 1,403 million).

A reconciliation of the total and underlying EPS is provided in note 16. Underlying earnings, as analysed in note 16 on page 112, excludes the result from discontinued operations, amortisation and impairment of acquisition-related intangible assets, acquisition-related costs and non-underlying items, all net of tax. This better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future performance.

Refer to footnotes on page 89

Cash flow

A reconciliation of net cash generated by continuing operations to movement in net debt is presented below:

	2013 £m	2012 £m
PBITA	**56**	364
Non-cash movements		
Depreciation	**118**	117
Amortisation of other intangible assets	**24**	22
Write down of fixed assets	**24**	–
Increase/(decrease) in provisions	**189**	(5)
Working capital and pensions		
Working capital	**87**	(124)
Pensions	**(38)**	(37)
Cash flow from continuing operations	**460**	337
Cash from discontinued operations	**28**	35
Net cash generated by operations:	**488**	372
Investment in the business		
Investment in capital expenditure and non-current assets	**(199)**	(137)
New finance leases	**(12)**	(21)
Disposal proceeds	**35**	19
Acquisitions	**(35)**	(87)
Net investment in the business	**(211)**	(226)
Net cash flow after investing in the business	**277**	146
Other (uses)/sources of funds		
Net financing	**(110)**	(111)
Tax	**(88)**	(85)
Dividends	**(154)**	(139)
Share capital	**343**	–
Other	**16**	3
Net sources/(uses) of funds	**7**	(332)
Net cash flow after investment, financing and tax	**284**	(186)
Net debt at beginning of period	**(1,802)**	(1,616)
Foreign exchange	**(15)**	–
Net debt at end of period	**(1,533)**	(1,802)

Cash generated from continuing operations was £460m (2012: £337m) resulting from improved working capital management and the receipt of £76m relating to the Olympics contract, offset by approximately £60m of payments which were deferred from December 2012 to January 2013 and from £27m of receivables withheld as at the year-end in relation to the UK electronic monitoring contracts.

Net investment in the business was £211m (2012: £226m). The main areas of investment have been in vehicles and plant and equipment, together with investment in new contracts and also includes £35m on acquisitions, mainly in the first-half of 2013, with a number of smaller cash solutions acquisitions in South Africa and Indonesia.

Tax paid was £88m (2012: £85m), interest paid was £110m (2012: £111m) and group shareholder dividend payments were £130m (2012: £120m).

Net cash flow was £284m (2012: outflow of £186m) resulting in an improved net debt of £1,533m.

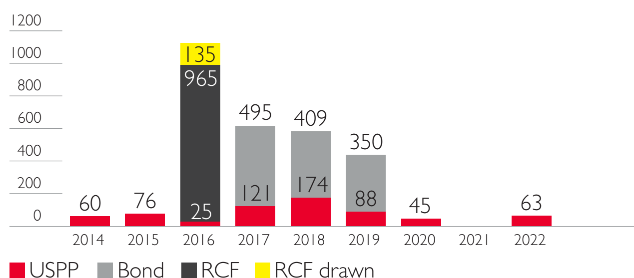
Net debt

The net debt position as at 31 December 2013 was £1,533m (2012: £1,802m) resulting in a net debt to EBITDA ratio of 2.6x. The decrease of £269m is principally attributable to the improvement in net cash flow after investing in the business and the proceeds of the share placing, offset by interest, tax and dividend payments.

Net debt maturity

The group's funding position is strong, with committed but undrawn facilities of £965m and with no significant debt maturing before 2016.

COMMITTED FUNDING – MATURITY PROFILE (£m) at 31 December 2013*



* Exchange rates at 31 December 2013 or hedged rates where applicable.

The group's primary sources of bank finance are a £1.1bn multi-currency revolving credit facility provided by a consortium of lending banks at a margin of 1.30% over LIBOR and maturing 10 March 2016.

The group also has US $550m in financing from the private placement of unsecured senior loan notes on 1 March 2007, maturing at various dates between 2014 and 2022 and bearing interest at rates between 5.77% and 6.06%. The fixed interest rates payable have been swapped into floating rates for the term of the notes, at an average margin of 0.60% over LIBOR.

On 15 July 2008, the group completed a further US $514m and £69m private placement of unsecured senior loan notes. $449m and £69m remain outstanding, maturing at various dates between 2015 and 2020 and bearing interest at rates between 6.43% and 7.56%. US $200m of the loan note proceeds have been swapped into £101m fixed rate sterling for the term of the notes.

On 13 May 2009, the group issued a £350m note bearing an interest rate of 7.75% and maturing in 2019.

On 2 May 2012, the group issued a Euro 600m note bearing an interest rate of 2.875% and maturing in 2017. €325m was swapped into £266m fixed rate sterling and the interest rate on €90m was swapped to a floating rate linked to six month EURIBOR.

On 6 December 2012, the group issued a €500m note bearing an interest rate of 2.625% and maturing in 2018. €350m was swapped into £284m fixed rate sterling and the interest rate on €120m was swapped to a floating rate linked to six month EURIBOR.

The group's net debt at 31 December 2013 was £1,533m. The group's committed but unutilised facilities at 31 December 2013 were £965m. The group has sufficient capacity to finance its normal funding and current investment plans.

Credit rating

The group's credit rating was revised by Standard & Poor's from BBB- (Negative) to BBB- (Stable) on 4 September 2013.

Dividend

The directors recommend a final dividend of 5.54p (DKK 0.4954) per share, unchanged from 2012. The interim dividend was 3.42p (DKK 0.2972) per share and the total dividend, if approved, will be 8.96p (DKK 0.7926)per share, unchanged from 2012.

The proposed dividend cover is 1.6 times (2012: 2.4 times) on adjusted earnings. The board's intention is that dividends will increase broadly in line with underlying earnings over the medium term.

OTHER INFORMATION

Pensions

As at 31 December 2013 the defined benefit pension obligation on the balance sheet was £504m (2012: £471m), or £405m net of tax (2012: £367m) of which £472m (2012: £436m) related to material funded defined benefit schemes. The most significant pension scheme is in the UK and accounts for 95% (2012: 95%) of the total material scheme obligation. The scheme has approximately 30,000 members and further details of the make up of the scheme are given in note 33 on page 129.

Defined benefit obligation – UK scheme

	2013 £m	2012 £m	Movement £m
Scheme assets	**1,564**	1,474	90
Obligation	**(2,013)**	(1,886)	(127)
Total UK obligation	**(449)**	(412)	37

The movement in the UK scheme was as a result of scheme obligations increasing by £127m partly offset by an increase of £90m in the value of scheme assets arising from contributions paid to the scheme during the year and an increase in underlying asset values. The increase in the obligation is mainly due to actuarial losses incurred in the year resulting from discount rates decreasing to 4.4% (2012: 4.5%), inflation rates increasing to 3.4% (2012: 3.0%) and a change in demographic assumptions during the year.

The group made payments of £38m (2012: £37m) into the scheme during the year. Following the recent triennial valuation, the group agreed with the Trustees to increase next year's annual deficit recovery payment to £42m and extended the term of these payments from 2022 to 2024. The next triennial valuation is in 2015.

Due to the nature and materiality of the group's pension schemes certain risks exist as detailed further in note 33 on page 130.

Financing and treasury activities

The group's treasury function is responsible for ensuring the availability of cost-effective finance and for managing the group's financial risk arising from currency and interest rate volatility and counterparty credit. Treasury is not a profit centre and it is not permitted to speculate in financial instruments. The treasury department's policies are set by the board. Treasury is subject to the controls appropriate to the risks it manages. These risks are discussed in note 32 on pages 124 to 127.

To assist the efficient management of the group's interest costs, the group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of an A+ rated bank. At year-end, credit balances of £425m were pooled with debit balances of £422m, resulting in a net pool credit balance of £3m. There is legal right of set off under the pooling agreement and an overdraft facility of £3m.

Interest rate risks and interest rate swaps

The group's investments and borrowings at 31 December 2013 were at a mix of fixed rates of interest and floating rates of interest linked to LIBOR and EURIBOR.

The private placement notes in March 2007 and July 2008 and the public notes in May 2009, May 2012 and December 2012 were all issued at fixed rates, whilst the group's investments and bank borrowings were all at variable rates of interest linked to LIBOR and EURIBOR.

The group's interest risk policy requires treasury to fix a proportion of its interest exposure on a sliding scale in US dollars, sterling and euro, using the natural mix of fixed and floating interest rates emanating from the bond and bank markets and by utilising interest rate and cross currency swaps. The proceeds of the private placement notes issued in March 2007 and part of the public notes issued in May 2012 and December 2012 were swapped to floating interest rates and accounted for as fair value hedges, with a net gain at 31 December 2013 of £45m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross currency swaps outstanding at 31 December 2013, accounted for as cash flow hedges, was a net gain of £40m.

Foreign currency

The group has many overseas subsidiaries and associates denominated in various different currencies. Treasury policy is to manage significant translation risks in respect of net operating assets and its consolidated net debt/EBITDA ratio by holding foreign currency denominated loans, where possible. The group no longer uses foreign exchange contracts to hedge the residual portion of net assets not hedged by way of loans. The group believes cash flow should not be put at risk by these instruments in order to preserve the carrying value of net assets.

At 31 December 2013, the group's US dollar and euro net assets were approximately 59% and 82% respectively, hedged by foreign currency loans. As at 31 December 2013, net debt held in US dollar and euro and in those currencies officially pegged to these two currencies equated broadly to a ratio of 2 times the EBITDA generated from these currencies.

If year-end 31 December 2013 exchange rates were used for 2013, underlying PBITA would have been £422m, a reduction from £442m due to a strengthening of the relative value of sterling.

Exchange differences on the translation of foreign operations included in the consolidated statement of comprehensive income amount to a loss of £109m (2012: £95m).

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate governance report on pages 52 to 60.

Going concern

The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Himanshu Raja
Chief Financial Officer

1 To clearly present underlying performance, specific items have been excluded and disclosed separately – see page 86.

2 2012 underlying results are presented at constant exchange rates and have been restated for the adoption of IAS19 (2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013 – see page 86.

3 Including specific items. See page 86 for details.

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of G4S plc for the year ended 31 December 2013 set out on pages 94 to 150. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Presentation of the income statement
Refer to page 61 (Audit Committee Report), page 98 (accounting policy) and page 108 (financial disclosures).

The risk – In order to give better understanding of the underlying performance of the business, management have presented a view of the underlying results of the group, with separate disclosure of specific items. There is a risk that items included within 'restructuring' and 'specific items' are not in accordance with clearly disclosed group accounting policies and therefore the 'underlying' result is misstated. There is a related presentation risk concerning discontinued operations and held for sale assets and liabilities which are further considered below.

Our response – In this area our audit procedures included, inter alia, providing detailed instructions to all in-scope audit teams on the definitions of items that can be included within these income statement categories to assist them in their assessment of specific items identified in their components. We considered and challenged the work of the group finance team in reviewing with the regional and local finance teams the basis of any specific items. In doing so we critically assessed their accuracy and presentation of specific items taking into account their policy, considered the appropriateness, by reference to accounting standards, of the individual items presented within these categories and therefore excluded from 'underlying results' at both the local and group levels.

We have also considered the adequacy of the group's disclosures about the items included within 'restructuring' and 'specific items' in notes 8 (specific items) and 34 (restructuring) and the related accounting policies for these categories on page 98 and on page 101.

Risk of management override of internal controls
Refer to page 62 (Audit Committee Report).

The risk – The de-centralised structure of the group and the manual nature of many accounting entries means there is a higher risk of management override of financial controls. There is also a risk of management bias within judgements and estimates including those related to the other risks discussed in this report. The application of management override or biased judgements could be influenced by targets on which bonuses are paid which could be significant to the relevant individuals. This risk affects all areas of the financial statements.

Our response – In this area our audit procedures included, among others, extending the scope of our audit to include businesses where we see a risk of management bias or override of controls (see below). We also mandated certain key audit procedures be performed by all in-scope audit teams to assist in the identification of management override of financial controls within the local books and records. We tested the reconciliations from the group consolidation package to the local books and records for 84% of the group including for those businesses out of scope for the group audit, performed testing on manual journals within all in-scope businesses, performed testing on the group consolidation system, identifying and testing significant unusual transactions and assessing indications of management bias in judgements and estimates. This work was performed with assistance from our Forensic Accounting specialists.

Revenue recognition particularly on UK Government contracts and related provisions
Refer to page 62 (Audit Committee Report), page 102 (accounting policy) and page 134 (financial disclosures).

The risk – The group delivers outsourcing services that can be complex in nature and may be governed by unique and complex contractual arrangements. In these circumstances there is a heightened risk of inaccurate billing and revenue recognition. In particular the group was subject to a number of inquiries in relation to the accuracy of billing and services provided on certain of its UK Government contracts. There was an investigation into an electronic monitoring contract where the Ministry of Justice alleged the group has overcharged for certain aspects of the services. There was a risk that revenue recognition on these contracts is not in accordance with contractual entitlements and therefore provisions may be required for refunds due (e.g. to the UK Government) or costs of termination. There was further a risk that the provisions for refunds are not appropriately disclosed and presented.

Our response – In this area our audit procedures included, among others, reviewing the sales process on complex and significant contracts in order to critically assess controls over process risks which might lead to revenue recognition issues, and comparing the contractual terms of the relevant agreements to the accounting treatment adopted. We made inquiries with contract managers and reviewed customer correspondence to identify, investigate and evaluate any areas of dispute or subjectivity within contracts and related billing, meeting with the company's legal advisors to discuss their advice on any areas of interpretation within the contract. We also considered the recovery of significant overdue receivables including seeking external evidence of likely recovery, taking into account the ageing of receivables and comparing any provision to recovery levels post year end.

We inspected correspondence with the Government and its appointed advisers. Based on those inquiries we recalculated the quantum of potential exposures and critically assessed the judgements made by management as to the provision made for the settlement of any and all claims arising from these contracts.

Full and final settlement in respect of the Ministry of Justice claims was reached in March 2014. We have evaluated the adequacy of the group's disclosures about the UK Government settlement and amounts recognised within the financial statements as revenue and provisions.

Compliance with foreign ownership rules and consolidation of subsidiaries
Refer to page 62 (Audit Committee Report), page 98 and 105 (accounting policy) and pages 140 and 141 (financial disclosures).

The risk – The group is required to comply with sometimes complex or imprecise foreign ownership rules in the countries in which it operates. There is a risk that the rules may be interpreted in different ways. In some instances the group operates through local structures with limited direct share ownership of the business but exercising control through shareholder agreements. These structures can mean there is a higher level of judgement required in deciding whether or not to consolidate the underlying business or treat the operation as a joint venture/associate/investment.

Our response – In this area our audit procedures included, inter alia, understanding the structure of local businesses and evaluating whether they are in compliance with local foreign ownership rules involving local lawyers where applicable. We also challenge the Directors' conclusions on whether or not consolidation was appropriate by comparing the rights bestowed by share ownership and all related ownership and management agreements to the requirements set out in the relevant accounting standards.

We have also evaluated the adequacy of the group's disclosures about the degree of judgement as to which businesses can be consolidated in note 4 and the reasons for consolidating those businesses with less than 50% ownership in note 3 and note 43.

Recoverable value of goodwill and other intangible assets
Refer to page 62 (Audit Committee Report), page 100 (accounting policy) and page 115 (financial disclosures).

The risk – The group has £2.2 billion of goodwill and other intangible assets. Although the majority of this relates to business units where the carrying value is exceeded by the calculated Value In Use by a significant margin, in the current economic environment there is a risk of impairment related to particular business units within the group. The estimation of the recoverable amount of cash generating units requires significant judgement in relation to the appropriate discount rates, growth rates, terminal values, forecast cashflows and, where the fair value less costs to sell approach is used, the appropriate fair value multiple.

Our response – In this area our audit procedures included, among others, challenging the forecast earnings and cash flows over the five year forecast period, for example by comparison to historic results and budgets and by seeking explanations for any assumed trends and growth rates. We also challenged the discount rates and terminal values and, where a fair value less costs to sell approach is used, challenged the multiples employed. Where possible we compared the group's assumptions to externally derived data. Our valuations specialists assisted in the evaluation of the more subjective and material cash generating units. We challenged the group's sensitivities to help us assess whether the key assumptions and drivers considered are correctly identified. We compared the group's aggregate recoverable amount to its market capitalisation.

We have also assessed the adequacy of the group's disclosures on goodwill impairments (see note 19) and considered whether the sensitivity analysis provided properly reflects the risks inherent within the estimate of the recoverable amount of goodwill.

Discontinued operations and held for sale assets and liabilities
Refer to page 62 (Audit Committee Report), page 103 (accounting policy) and pages 108 and 121 (financial disclosures).

The risk – The group often has business disposals underway at any reporting date. Given the judgement involved, there is a risk that any such businesses may not meet the accounting standard's criteria for presentation as discontinued at the balance sheet date as either they are not a separate major line of business, the Directors are not committed to the sale and that sale is not highly probable, or the business has not been exited.

The results of discontinued businesses are presented below profit before tax on the face of the income statement and therefore any profits/losses from discontinued businesses are not included within underlying PBITA being the group's own key financial KPI. Were the group to incorrectly classify a loss making business as discontinued a higher underlying PBITA would result.

For the US Government Solutions business, which is presented as held for sale, the calculation of the fair value less costs to sell is subject to judgement due to a range of potential sales prices and assumptions around the method and quantum of recovery of working capital balances. This subjectivity creates a risk around the determination of an appropriate fair value for the business and therefore the appropriate impairment recognised.

Our response – In this area our audit procedures included, amongst others, using our knowledge of the business to perform an assessment of whether the businesses constitute separate major lines of business or geographical areas of operations. We also obtained and evaluated evidence to critically challenge the level of the Directors' commitment to sell the businesses classified as held for sale and to critically challenge the probability of those sales at the balance sheet date. We sought external evidence of likely sales prices and compared these to the net book value of the held for sale assets and liabilities to assess whether any further impairment was required. For those businesses being wound down and therefore being classified as discontinued on the basis that the business has been exited, we sought external evidence that the group is no longer operating that business.

We have also considered the adequacy of the group's disclosures about discontinued operations and held for sale assets in notes 7 and 26.

Taxation exposures and provisions
Refer to page 63 (Audit Committee Report), page 102 (accounting policy) and page 111 (financial disclosures).

The risk – The group is required to make estimates of tax provisions in jurisdictions and/or circumstances where the application of the tax rules is complex, uncertain and in some cases inconsistent.

Our response – Our audit procedures included, consideration of each significant exposure on a case by case basis taking into account our understanding of the facts, any specific advice the group has received, past experience and any relevant observations of our tax specialists. Using this information we conducted a critical review of the group's judgement as to the provision required. We have also evaluated the adequacy of the group's disclosures about the tax provisions and contingencies in note 14 and the level of estimation uncertainty in the tax provisions in note 3(r).

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the group financial statements as a whole was set at £10m. This has been determined with reference to a benchmark of group loss before tax, adjusted for non-recurring items including 'restructuring costs', 'specific items' and 'goodwill impairment', which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. Materiality represents 4.9% of group profit before tax adjusted for these items and 4.4% of group profit before tax from continuing operations as disclosed on the face of the income statement.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.5m for errors impacting profit and in excess of £4m for balance sheet only misclassifications, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for group reporting purposes were performed by component auditors at the key reporting components in 42 countries. In addition, specified audit procedures were performed by component auditors in a further 42 countries. These group procedures covered:

	Group revenue
Audit for group reporting purposes	81%
Specific audit procedures	13%
Not covered	6%

The audits undertaken for group reporting purposes at the key reporting components of the group were all performed to materiality levels set by, or agreed with, the group audit team. These materiality levels were set individually for each component and ranged from £0.02m to £5m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. The group audit team visited the following locations: the Philippines, Ireland, South Africa, Botswana, Peru, Brazil, Saudi Arabia, India, Belgium, Finland, Denmark and the United Kingdom. Telephone meetings were also held with the auditors of 25 significant countries as part of the planning process and a further 22 high risk countries as part of the audit close out process.

The remaining 6% of revenue includes no components which individually represent more than 0.4% of revenue.

4. OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 83, in relation to going concern; and
- the part of the Corporate Governance Statement on page 53 in the Chairman's letter relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

SCOPE OF REPORT AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 83, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Luke (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

31 March 2014

Consolidated income statement
For the year ended 31 December 2013

	Notes	Total 2013 £m	Total 2012* £m
Continuing operations			
Revenue	5, 6	**7,428**	7,228
Operating profit before interest, tax, amortisation, specific items and restructuring	6	**442**	470
Specific items	8	**(318)**	(64)
Restructuring costs	8	**(68)**	(42)
Operating profit before interest, tax and amortisation (PBITA)		**56**	364
Amortisation of acquisition-related intangible assets		**(72)**	(84)
Goodwill impairment		**(46)**	–
Acquisition-related expenses		**(4)**	(7)
Profit on disposal of assets and subsidiaries		**24**	5
Operating (loss)/profit before interest and taxation (PBIT)	6, 8	**(42)**	278
Finance income	12	**15**	12
Finance costs	13	**(143)**	(132)
Operating (loss)/profit before taxation (PBT)		**(170)**	158
Taxation	14	**(56)**	(40)
(Loss)/profit after taxation		**(226)**	118
Loss from discontinued operations	7	**(116)**	(56)
(Loss)/profit for the year		**(342)**	62
Attributable to:			
Equity holders of the parent		**(362)**	40
Non-controlling interests		**20**	22
(Loss)/profit for the year		**(342)**	62
Earnings per share attributable to equity shareholders of the parent	16		
From (loss)/profit from continuing operations:			
Basic and diluted		**(16.9)p**	6.8p
From (loss)/profit from continuing and discontinued operations:			
Basic and diluted		**(24.9)p**	2.9p

* Restated – see notes 3(a) and 3(v).

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Notes	2013 £m	2012* £m
(Loss)/profit for the year		(342)	62
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Actuarial losses on defined retirement benefit schemes		(60)	(167)
Tax on items that will never be reclassified to profit or loss	14	(1)	30
		(61)	(137)
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(109)	(95)
Change in fair value of net investment hedging financial instruments		25	(4)
Change in fair value of cash flow hedging financial instruments		(8)	(6)
Tax on items taken directly to equity	14	(4)	5
		(96)	(100)
Other comprehensive income, net of tax		(157)	(237)
Total comprehensive income for the year		(499)	(175)
Attributable to:			
Equity holders of the parent		(518)	(194)
Non-controlling interests		19	19
Total comprehensive income for the year		(499)	(175)

* Restated – see note 3 (v).

Consolidated statement of changes in equity
For the year ended 31 December 2013

	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 2013	353	258	143	422	1,176	55	1,231
Total comprehensive income attributable to equity shareholders of the parent	–	–	(422)	(96)	(518)	19	(499)
Shares issued	35	–	–	308	343	–	343
Dividends declared	–	–	(130)	–	(130)	(24)	(154)
Own shares awarded	–	–	(2)	2	–	–	–
Transactions with non-controlling interests	–	–	(4)	–	(4)	2	(2)
At 31 December 2013	388	258	(415)	636	867	52	919
At 1 January 2012	353	258	389	494	1,494	50	1,544
Total comprehensive income attributable to equity shareholders of the parent	–	–	(126)	(68)	(194)	19	(175)
Dividends declared	–	–	(120)	–	(120)	(18)	(138)
Own shares purchased	–	–	–	(6)	(6)	–	(6)
Own shares awarded	–	–	(2)	2	–	–	–
Transactions with non-controlling interests	–	–	2	–	2	4	6
At 31 December 2012	353	258	143	422	1,176	55	1,231

* See note 37.

Consolidated statement of financial position
At 31 December 2013

	Notes	2013 £m	2012 £m
ASSETS			
Non-current assets			
Goodwill	19	**1,966**	2,108
Other acquisition-related intangible assets	19	**141**	204
Other intangible assets	19	**77**	87
Property, plant and equipment	20	**490**	512
Trade and other receivables	24	**130**	132
Deferred tax assets	35	**184**	179
		2,988	3,222
Current assets			
Inventories	22	**117**	128
Investments	23	**39**	56
Trade and other receivables	24	**1,394**	1,506
Cash and cash equivalents	27	**594**	469
Assets classified as held for sale	26	**220**	229
		2,364	2,388
Total assets	6	**5,352**	5,610
LIABILITIES			
Current liabilities			
Bank overdrafts	27, 28	**(22)**	(17)
Bank loans	28	**(27)**	(18)
Loan notes	28	**(61)**	(40)
Obligations under finance leases	29	**(21)**	(18)
Trade and other payables	30	**(1,172)**	(1,193)
Current tax liabilities		**(48)**	(41)
Provisions	34	**(200)**	(29)
Liabilities associated with assets classified as held for sale	26	**(133)**	(52)
		(1,684)	(1,408)
Non-current liabilities			
Bank loans	28	**(169)**	(327)
Loan notes	28	**(1,921)**	(1,999)
Obligations under finance leases	29	**(31)**	(43)
Trade and other payables	30	**(13)**	(18)
Retirement benefit obligations	33	**(504)**	(471)
Provisions	34	**(64)**	(45)
Deferred tax liabilities	35	**(47)**	(68)
		(2,749)	(2,971)
Total liabilities	6	**(4,433)**	(4,379)
Net assets		**919**	1,231
EQUITY			
Share capital	36	**388**	353
Share premium and reserves		**479**	823
Equity attributable to equity holders of the parent		**867**	1,176
Non-controlling interests		**52**	55
Total equity		**919**	1,231

The consolidated financial statements were approved by the board of directors and authorised for issue on 31 March 2014.

They were signed on its behalf by:

Ashley Almanza
Director

Himanshu Raja
Director

Consolidated statement of cash flow

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
(Loss)/profit before taxation		(170)	158
Adjustments for:			
Finance income		(15)	(12)
Finance costs		143	132
Depreciation of property, plant and equipment		118	117
Amortisation of acquisition-related intangible assets		72	84
Amortisation of other intangible assets		24	22
Goodwill impairment		46	–
Acquisition-related costs		4	7
Impairment of other assets		24	–
Increase/(decrease) in provisions		189	(5)
Additional pension contributions		(38)	(37)
Profit on disposal of fixed assets and subsidiaries		(24)	(5)
Operating cash flow before movements in working capital		373	461
Decrease/(increase) in inventories		5	(14)
Decrease/(increase) in receivables		40	(116)
Increase in payables		42	6
Net cash flow from operating activities of continuing operations		460	337
Net cash flow from operating activities of discontinued operations		28	35
Cash generated by operations		488	372
Tax paid		(88)	(85)
Net cash flow from operating activities		400	287
Investing activities			
Interest received		22	6
Cash flow from associates		(6)	3
Purchases of non-current assets		(210)	(160)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		11	23
Acquisition of subsidiaries		(23)	(101)
Net cash and overdraft balances acquired		(8)	15
Disposal of subsidiaries		35	19
Sale of investments		16	–
Net cash used in investing activities		(163)	(195)
Financing activities			
Share issues		343	–
Dividends paid to minority interests		(24)	(19)
Own shares purchased		–	(6)
Dividends paid to equity shareholders of the parent		(130)	(120)
Other net movement in borrowings		(165)	324
Movement in customer cash balances		24	–
Transactions with non-controlling interests		(2)	6
Interest paid		(132)	(117)
Repayment of obligations under finance leases		(9)	(22)
Net cash flow from financing activities		(95)	46
Net increase in cash, cash equivalents and bank overdrafts	38	142	138
Cash, cash equivalents and bank overdrafts at the beginning of the year		472	370
Effect of foreign exchange rate fluctuations on cash held		(27)	(36)
Cash, cash equivalents and bank overdrafts at the end of the year	27	587	472

1. GENERAL INFORMATION

G4S plc is a company incorporated in the United Kingdom under the Companies Act 1985. The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising the group) and the group's interest in associates and jointly controlled entities made up to 31 December each year. The group operates throughout the world and in a wide range of functional currencies, the most significant being the euro, the US dollar and sterling. The group's financial statements are presented in sterling, as the group's primary listing is in the UK. The address of the registered office is given on page 160.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (adopted IFRSs). The company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 142 to 150.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the group have been prepared under the going concern basis and using the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted are set out below. Judgements made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, are discussed in note 4. The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Further information on the going concern assessment is given in note 32 on pages 124 to 127.

In preparing the financial statements the notes to the accounts have been presented with regard to the principles set out in the Financial Reporting Council's publication 'Cutting Clutter' to make the financial statements easier to follow and more intuitive to provide readers with a clearer understanding of the financial performance of the group.

The comparative income statement for the year ended 31 December 2012 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £273m and PBT has decreased by £7m compared to the figures published previously. Further details of discontinued operations are presented within note 7. In addition, the comparative consolidated statement of financial position as at 31 December 2012 has been restated to reflect the completion during 2013 of the initial accounting in respect of acquisitions made during 2012. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £15m, with an equivalent decrease in the reported value of goodwill. The impact of these adjustments on the net assets acquired is presented in note 17.

(b) Changes in presentation of the income statement

During the year the group has enhanced its presentation of business performance by separately disclosing 'underlying results'. Underlying results exclude specific items and for the prior year re-present the effect of one-off credits relating to fair value and other provision releases.

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 items relating to acquisitions and disposals including amortisation and impairment of acquisition-related intangible assets, discontinued operations, restructuring costs and impairments and other one-off items such as the review of the carrying value of assets and liabilities performed in 2013 or the impact of the Olympics contract in the prior year.

This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the underlying results of the group. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance, as specific items are identified by virtue of their size, nature or incidence. Any reversal arising from a recovery of previously impaired assets will also flow through specific items such that the underlying results reflect the ongoing recurring results of the business.

Specific items may not be comparable to similarly titled measures used by other companies.

Specific items for the current and prior years are disclosed in note 8.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities, determined either by the group's ownership percentage, or by the terms of any shareholder agreement. In the case of certain investments detailed analysis of the different contracts in place is required, together with a level of judgement, to ascertain whether there is control under the definition of IAS 27 'Separate Financial Statements' (see note 4).

On acquisition, the assets and liabilities and contingent liabilities of the acquired business are measured at their fair values at the date of acquisition. The cost of acquisition is measured as the acquisition date fair value of the assets transferred as consideration to the vendor and does not include transaction costs. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the year of acquisition.

The cost of acquisition includes the present value of deferred and contingent consideration payable, including that in respect of put options held by non-controlling shareholders, as estimated at the date of acquisition. For acquisitions prior to 1 January 2010 subsequent changes to the present value of the estimate of contingent consideration and any difference upon final settlement of such a liability are recognised as adjustments to the cost of acquisition. For acquisitions after 1 January 2010 such changes are recognised in the income statement with respect to contingent consideration and in other comprehensive income with respect to put options. Non-controlling interests are stated at their proportion of the fair values of the assets and liabilities recognised. Profits and losses are applied in the proportion of their respective ownership to the interest of the parent and to the non-controlling interest.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of control or up to the effective date of disposal, as appropriate.

Joint ventures
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, in that strategic, financial and operating decisions require the unanimous consent of the parties.

The group's interest in joint ventures is accounted for using the proportionate consolidation method, whereby the group's share of the results and assets and liabilities of a jointly-controlled entity is combined line by line with similar items in the group's consolidated financial statements.

Associates
An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the group's consolidated financial statements using the equity method of accounting. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Transactions eliminated on consolidation
All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a group company transacts with a joint venture or associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant joint venture or associate.

(d) Foreign currencies
The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the income statement for the period.

On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expenses are translated into sterling at the average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Exchange differences arising are recognised in other comprehensive income, together with exchange differences arising on monetary items that are in substance a part of the group's net investment in foreign operations and on borrowings and other currency instruments designated as hedges of such investments where and to the extent that the hedges are deemed to be effective. On disposal, translation differences are recognised in the income statement in the period in which the operation is disposed of.

(e) Derivative financial instruments and hedge accounting
In accordance with its treasury policy, the group only holds or issues derivative financial instruments to manage the group's exposure to financial risk, not for trading purposes. Such financial risk includes the interest risk on the group's variable-rate borrowings, the fair value risk on the group's fixed-rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the consolidated statement of financial position as financial assets or liabilities at fair value.

The gain or loss on re-measurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below.

Fair value hedge
The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the income statement.

Cash flow and net investment hedges
The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged cash flow or hedged net investment impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

Goodwill

All business combinations are accounted for by the application of the acquisition method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. No goodwill arises on the acquisition of an additional interest from a non-controlling interest in a subsidiary as this is accounted for as an equity transaction. Goodwill is stated at cost, less any accumulated impairment losses, and is tested annually for impairment or more frequently if there are indications that amounts may be impaired. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Acquisition-related intangible assets

Intangible assets on acquisitions that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquisition-related intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquisition-related intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earnings method.

Acquisition-related intangible assets are amortised by equal annual instalments over their expected economic life. The directors review acquisition-related intangible assets on an ongoing basis and, where appropriate, provide for any impairment in value.

The estimated useful lives are as follows:

Trademarks and technology	up to a maximum of five years
Customer contracts and customer relationships	up to a maximum of ten years

Other intangible assets

Development expenditure represents expenditure incurred in establishing new services and products of the group. Such expenditure is recognised as an intangible asset only if the following can be demonstrated: the expenditure creates an identifiable asset, its cost can be measured reliably, it is probable that it will generate future economic benefits, it is technically and commercially feasible and the group has sufficient resources to complete development. In all other instances, the cost of such expenditure is taken directly to the income statement.

Capitalised development expenditure is amortised over the period during which the expenditure is expected to be revenue-producing, up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

Research expenditure is written off in the year in which it is incurred.

Capitalised computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of eight years.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment other than freehold land. Depreciation is calculated so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Freehold and long leasehold buildings	up to 50 years
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	2 to 10 years

Assets held under finance leases are depreciated over the shorter of the expected useful economic life and the term of the relevant lease.

Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

Trade receivables

Trade receivables do not carry interest and are stated initially at their fair value. The carrying amount of trade receivables is reduced through the use of a bad debt allowance account. The group provides for bad debts based upon an analysis of those that are past due, in accordance with local conditions and past default experience.

Service concession assets

Under the terms of a Private Finance Initiative (PFI) or similar project, the risks and rewards of ownership of an asset remain largely with the purchaser of the associated services. In such cases, the group's interest in the asset is classified as a financial asset and included at its discounted value within trade and other receivables, to the extent to which the group has an unconditional right to receive cash from the grantor of the concession for the construction of the asset. To the extent that the group has the right to charge for the use of such an asset, conditional upon the extent of the use, the group recognises an intangible asset.

Current asset investments

Current asset investments comprise investments in securities which are classified as held-for-trading. They are initially recognised at cost, including transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and that form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

Interest-bearing borrowings
Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method.

Trade payables
Trade payables are not interest-bearing and are stated initially at fair value.

Equity instruments
Equity instruments issued by the group are recorded at the value of proceeds received, net of direct issue costs.

(i) Inventories
Inventories are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated using either the weighted average or the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

(j) Impairment
The carrying value of the group's assets, with the exception of inventories and deferred tax assets, is reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of any other asset, an impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

(k) Employee benefits
Retirement benefit costs
Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

For defined benefit plans, the cost charged to the income statement consists of current service cost, net interest cost, and past service cost. The finance element of the pension charge is shown in finance expense and the remaining service cost element is charged as a component of employee costs in the income statement. Actuarial gains and losses and other remeasurement gains and losses are recognised immediately in full through the statement of comprehensive income.

Share-based payments
The group issues equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

(l) Provisions and contingent liabilities
Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. The amount recognised as a provision is the group's best estimate of the cost of settlement at the end of the reporting period.

In respect of claims and litigation, the group provides for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. For all risks, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. Management exercise judgement in measuring the exposures to contingent liabilities (see note 34) through assessing the likelihood that a potential claim or liability will arise and in quantifying the possible range of financial outcomes.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

(m) Restructuring provision
A restructuring provision is recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales-related taxes. Revenue for manned security and cash solutions products and for recurring services in security systems products is recognised to reflect the period in which the service is provided. Revenue on security systems installations is recognised either on completion in respect of product sales, or in accordance with the stage of completion method in respect of construction contracts.

Construction contracts

Where significant, security system installations with a contract duration in excess of one month are accounted for as construction contracts. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured either by the proportion that contract costs incurred for work to date bear to the estimated total contract costs or by the proportion that the sales value of work completed to date bears to the total sales value. Variations in contract work, claims and incentive payments are included to the extent that it is likely that they will be agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are deemed likely to be recoverable. Contract costs are recognised as expenses as they are incurred. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the income statement.

Construction contracts are recognised in the consolidated statement of financial position at cost plus profit recognised to date, less provision for foreseeable losses and less progress billings. Balances are not offset.

(o) Pre-contract costs

Pre-contract costs in respect of major outsourcing contracts incurred after the point at which the group achieves preferred bidder status (at which point it is considered probable that the contract will be obtained) are capitalised and expensed over the life of the contract subject to recoverability criteria. Costs incurred prior to this point are expensed as incurred. Capitalised costs are expensed immediately in the event that preferred bidder status is not followed by the award of the contract.

(p) Onerous contracts

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. Management plans to recover the position on loss-making contracts require a level of judgement and are only taken into account in the calculation of the onerous contract provision when implementation has commenced and tangible evidence exists of benefits being delivered. The provision is calculated based on discounted cash flows to the end of the contract.

In-year losses from onerous contracts will continue to be reported in underlying earnings as they are incurred, whilst provisions for future losses on onerous contract provisions will be charged and unwound through specific items.

Vacant property provisions are recognised when the group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on discounted cash flows to the end of the lease taking into account expected future sub-lease income.

(q) Interest

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount. Borrowing costs are recognised as an expense in the income statement.

(r) Income taxes

Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity or other comprehensive income. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of each deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretation of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainty exists, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

(s) Leasing
Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. On occasion this classification requires a level of judgement. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the lease term, as are incentives to enter into operating leases.

(t) Non-current assets held for sale and discontinued operations
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

(u) Dividend distribution
Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders in general meeting.

(v) Adoption of new and revised accounting standards and interpretations
In the year ended 31 December 2013, the group adopted the following new standards and amendments:

- As a result of the amendment to IAS 19 (2011), the group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

  The amendment makes changes to the recognition, measurement and disclosure of the defined benefit expense, in particular requiring that the return on investment assets recognised in the income statement be calculated at the same interest rate as that used for calculating the finance cost on the obligations, and to the disclosures of employee benefits.

  Pensions interest has therefore been restated for the change in calculation of the net pension interest charge, resulting in an additional £14m interest cost for the year ended 31 December 2013 and £7m additional interest cost for the year ended 31 December 2012.

  The amendments also require that the group re-allocates pension administration costs from its previous classification within finance income through other comprehensive income (OCI) to disclosing it within PBITA. Current year and prior year PBITA has reduced by £3m as a result of this restatement.
- As a result of the amendments to IAS 1 'Presentation of Financial Statements', the group has modified the presentation of items of comprehensive income in its condensed consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be reclassified. Comparative income has also been re-presented accordingly. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the group.
- The group also adopted IFRS 13 'Fair Value Measurement' during the year. This has not resulted in any significant impact on the group's results for the year ended 31 December 2013 or the year ended 31 December 2012.

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 2013. Those that are expected to have an impact on the group accounts are detailed below:

- IFRS 10 (2011) 'Consolidated Financial Statements', which replaces parts of IAS 27 'Consolidated and Separate Financial Statements' and all of SIC-12 'Consolidation – Special Purpose Entities', introduces 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. Apart from certain exceptions within the Asia Middle East region (including certain business in Kuwait, Saudi Arabia and Qatar) it is expected that under the terms of the existing shareholder agreements the remainder of the group's principal subsidiaries (see note 43) will continue to be consolidated upon adoption of IFRS 10 (2011). Those entities which do not meet the IFRS 10 (2011) criteria to be consolidated will be accounted for generally as joint ventures under the new IFRS 11 'Joint Arrangements'.
- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-monetary Contributions by Vendors' and removes the option to account for jointly controlled entities using the proportionate consolidation method. Instead all jointly controlled entities will be accounted for using the equity method of accounting, similar to that used to account for associates under the current standards. As the group currently applies the proportionate method of accounting to its jointly controlled entities this will impact the group's consolidated income statement and consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Had the group applied IFRS 10 (2011) and IFRS 11 to its accounts for the year ended 31 December 2013 and 31 December 2012 it would have had the following estimated impact on the group's consolidated income statement, statement of financial position and statement of cash flow.

	Year ended 31 December 2013			Year ended 31 December 2012		
	As reported £m	Adjustments £m	New basis £m	As reported £m	Adjustments £m	New basis £m
Income statement						
Revenue	7,428	(317)	7,111	7,024	(277)	6,747
PBITA before specific items	442	(32)	410	470	(27)	443
PBT*	314	(27)	287	353	(15)	338
Tax*	(75)	2	(73)	(83)	–	(83)
PAT*	239	(25)	214	270	(15)	255
Non-controlling interests*	(25)	25	–	(22)	15	(7)
Profit to equity holders*	214	–	214	248	–	248
Statement of financial position						
Non-current assets	2,988	18	3,006	3,222	18	3,240
Current assets	2,364	(167)	2,197	2,388	(147)	2,241
Total assets	5,352	(149)	5,203	5,610	(129)	5,481
Current liabilities	(1,684)	74	(1,610)	(1,408)	80	(1,328)
Non-current liabilities	(2,749)	48	(2,701)	(2,971)	18	(2,953)
Total liabilities	(4,433)	122	(4,311)	(4,379)	98	(4,281)
Net assets	919	(27)	892	1,231	(31)	1,200
Non-controlling interests	52	(27)	25	55	(31)	24
Statement of cash flow						
Net cash flow from operating activities	400	(42)	358	287	(41)	246
Net cash flow from investing activities	(163)	30	(133)	(195)	14	(181)
Net cash flow from financing activities	(95)	3	(92)	46	25	71
Net increase/(decrease) in cash	142	(9)	133	138	(2)	136

* **Excluding specific items, amortisation of acquisition-related intangible assets, goodwill impairment, acquisition-related expenses and profit on disposal of assets and subsidiaries. 2012 results also exclude the impact of the Olympics contract.**

– 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 standard includes disclosure requirements for entities within the scope of IFRS 10 (2011) and IFRS 11.

– IFRS 10 (2011), IFRS 11 and IFRS 12 together form a suite of standards that are effective from 1 January 2013. However they have been endorsed by the EU to be applied from 1 January 2014. The group will therefore adopt all three standards for its financial statements for the year ended 31 December 2014.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of the group's accounting policies, which are described in note 3, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and in some cases, actuarial techniques. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, estimates and assumptions which are of most significance in preparing the group's 2013 accounts are detailed below:

Review of the carrying value of assets and liabilities

In 2013 the group carried out a review of the carrying value of its assets and liabilities as at 31 December 2012, taking into account any changes in facts or circumstances since that date. The purpose of this review was to ensure that the financial statements were presented in a more balanced way. This exercise required a level of judgement and in many cases taking a more balanced judgement based on the group's current understanding of circumstances surrounding each issue. The results of the review are presented within 'specific items' given the one-off nature of the review performed and are disclosed in note 8.

Contract portfolio review
The group delivers outsourcing services that in some circumstances can be complex in nature and may be governed by unique contractual arrangements. There is a risk that revenue recognition on these contracts is not in accordance with contractual entitlements and therefore provisions may be required to be recognised within 'contract provisions' (see note 34). Estimates and judgements are therefore required to determine the appropriate level of provisioning applied to these contracts.

Compliance with foreign ownership rules and consolidation of subsidiaries
The group has a diverse set of complex ownership structures, which are sometimes driven by local laws and regulations relating to foreign ownership. In some instances the group operates through local structures with limited direct share ownership of the business but exercises control through shareholder agreements. In determining whether some group entities qualify for consolidation under IAS 27 'Separate Financial Statements', professional and legal advice is sought and a level of judgement is required. Consolidation of any of these entities would be at risk if the group's ability to enforce its rights of control were successfully challenged. Furthermore, as set out in note 3(v), following the adoption of IFRS 10 'Consolidated Financial Statements' in 2014, the group expects to cease to consolidate some of these entities and will equity account for them.

Carrying value of goodwill
The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The impairment analysis for such assets is based principally upon discounted estimated future cash flows from the use and eventual disposal of the assets. Such an analysis includes the estimation of future results, cash flows, annual growth rates and discount rates. Judgement is required in relation to the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. In certain circumstances, where market prices can be ascertained (for example through recent transactions), fair value less costs to sell is used as a basis for the recoverable amount. This involves judgements and estimates to apply reasonable valuations techniques and to estimate future selling costs. The full methodology and results of the group's impairment testing is presented in note 19.

Discontinued operations
The group normally has business disposals underway at any reporting date. There is a risk that any such businesses may not meet the accounting standard's criteria for presentation as discontinued at the balance sheet date either because they are not a separate major line of business or there is uncertainty as to the likelihood of achieving the sale or the realisable value on disposal (see note 7). The latter requires a level of judgement due to the range of potential sale prices.

Taxation
The group operates in many tax jurisdictions including countries where the tax legislation is not consistently applied and under some complex contractual circumstances where the responsibility for tax arising is not always clear. Management are required to apply judgements and estimates to determine the appropriate amount of tax to provide for and any required disclosure around contingent tax liabilities at each period end.

Valuation of retirement benefit obligations
The valuation of defined retirement benefit schemes is arrived at using the advice of qualified independent actuaries who use the projected unit credit method for determining the group's obligations. This methodology requires the use of a variety of assumptions and estimates, including the appropriate discount rate, the expected return on scheme assets, mortality assumptions, future service and earnings increases of employees and inflation. Full details of the group's retirement benefit obligations, including an analysis of the sensitivity of the calculations to the key assumptions are presented in note 33.

5. REVENUE

An analysis of the group's revenue, as defined by IAS 18 'Revenue', is as follows:

	Notes	2013 £m	2012 £m
Continuing operations			
Sale of goods		**165**	154
Rendering of services		**7,064**	6,853
Revenue from construction contracts		**199**	221
Revenue from continuing operations as presented in the consolidated income statement	6	**7,428**	7,228
Discontinued operations			
Sale of goods		**1**	1
Rendering of services		**609**	808
Revenue from construction contracts		**12**	2
Revenue from discontinued operations	6,7	**622**	811
Other operating income			
Interest income		**15**	12
Total other operating income		**15**	12
Total revenue as defined by IAS 18		**8,065**	8,051

6. OPERATING SEGMENTS

The group operates on a worldwide basis and derives a substantial proportion of its revenue, PBITA and PBIT from each of the following six geographic regions: Africa, Asia Middle East, Latin America, Europe, North America and UK & Ireland. For each of the reportable segments, the group executive committee (the chief operating decision maker) reviews internal management reports on a regular basis. This presentation has been re-aligned during the year to more closely reflect internal management reporting which is based on geographical regions.

Segment information is presented below:

Revenue by reportable segment and geographical area	**Continuing operations 2013 £m**	**Discontinued operations 2013 £m**	**Total 2013 £m**	Continuing operations 2012 £m	Discontinued operations 2012 £m	Total 2012 £m
Africa	**486**	**8**	**494**	465	15	480
Asia Middle East	**1,567**	**5**	**1,572**	1,353	73	1,426
Latin America	**717**	**–**	**717**	644	1	645
Europe	**1,648**	**164**	**1,812**	1,604	184	1,788
North America	**1,358**	**445**	**1,803**	1,338	538	1,876
UK & Ireland	**1,652**	**–**	**1,652**	1,620	–	1,620
Total revenue before Olympics	**7,428**	**622**	**8,050**	7,024	811	7,835
Olympics revenue	**–**	**–**	**–**	204	–	204
Total revenue	**7,428**	**622**	**8,050**	7,228	811	8,039

Revenue from internal and external customers by product	**Total gross segment revenue 2013 £m**	**Inter-segment revenue 2013 £m**	**External revenue 2013 £m**	Total gross segment revenue 2012 £m	Inter-segment revenue 2012 £m	External revenue 2012 £m
Secure solutions	**6,735**	**(8)**	**6,727**	6,737	(5)	6,732
Cash solutions	**1,325**	**(2)**	**1,323**	1,307	–	1,307
Total revenue	**8,060**	**(10)**	**8,050**	8,044	(5)	8,039

Inter-segment sales are charged at prevailing market prices. Refer to note 7 for details on discontinued operations.

PBITA by reportable segment and geographical area	**Continuing operations 2013 £m**	**Discontinued operations 2013 £m**	**Total 2013 £m**	Continuing operations 2012 £m	Discontinued operations 2012 £m	Total 2012 £m
Africa	**39**	**(5)**	**34**	35	2	37
Asia Middle East	**129**	**3**	**132**	108	1	109
Latin America	**48**	**–**	**48**	48	–	48
Europe	**92**	**(8)**	**84**	108	(2)	106
North America	**56**	**15**	**71**	73	11	84
UK & Ireland	**122**	**–**	**122**	145	–	145
PBITA before head office costs	**486**	**5**	**491**	517	12	529
Head office costs	**(44)**	**–**	**(44)**	(47)	–	(47)
PBITA before specific items	**442**	**5**	**447**	470	12	482
Specific items:						
Contracts review	**(136)**	**–**	**(136)**	–	–	–
Review of assets and liabilities	**(182)**	**(23)**	**(205)**	–	–	–
Sub total	**(318)**	**(23)**	**(341)**	–	–	–
One-off credits	**–**	**–**	**–**	24	–	24
Olympics	**–**	**–**	**–**	(88)	–	(88)
Restructuring costs	**(68)**	**(2)**	**(70)**	(42)	(8)	(50)
Total specific items	**(386)**	**(25)**	**(411)**	(106)	(8)	(114)
Total PBITA	**56**	**(20)**	**36**	364	4	368
Goodwill impairment	**(46)**	**(80)**	**(126)**	–	(35)	(35)
Amortisation of acquisition-related intangible assets	**(72)**	**(4)**	**(76)**	(84)	(5)	(89)
Acquisition-related expenses	**(4)**	**–**	**(4)**	(7)	–	(7)
Profit on disposal of assets and subsidiaries	**24**	**–**	**24**	5	–	5
Total PBIT	**(42)**	**(104)**	**(146)**	278	(36)	242

Continuing PBIT as stated above is equal to PBIT as disclosed in the income statement. Discontinued PBIT as stated above is analysed in note 7.

Segment assets and liabilities

The following information is analysed by reportable segment and by the geographical area in which the assets are located:

Total assets and liabilities	Total assets 2013 £m	Total assets 2012 £m	Total liabilities 2013 £m	Total liabilities 2012 £m
By reportable segment and geographical area				
Africa	**240**	250	**(76)**	(73)
Asia Middle East	**736**	762	**(247)**	(215)
Latin America	**345**	425	**(104)**	(105)
Europe	**880**	888	**(360)**	(348)
North America	**818**	964	**(184)**	(205)
UK & Ireland	**1,397**	1,480	**(493)**	(357)
Inter-segment trading balances	**(192)**	(218)	**192**	218
Total segment assets and liabilities	**4,224**	4,551	**(1,272)**	(1,085)
Head office	**115**	140	**(86)**	(65)
Total operating assets and liabilities	**4,339**	4,691	**(1,358)**	(1,150)
Non-operating assets and liabilities	**1,013**	919	**(3,075)**	(3,229)
Total assets and liabilities	**5,352**	5,610	**(4,433)**	(4,379)

Included within operating and non-operating assets are £179m (2012: £183m) and £41m (2012: £46m) respectively relating to disposal groups classified as held for sale. Included within operating and non-operating liabilities are £93m (2012: £36m) and £40m (2012: £16m) respectively relating to liabilities associated with disposal groups classified as held for sale. Disposal groups are analysed in note 26.

Non-current operating assets	2013 £m	2012 £m
By reportable segment and geographical area		
Africa	**136**	152
North America	**409**	431
Latin America	**223**	297
Asia Middle East	**530**	521
Europe	**505**	598
UK & Ireland	**1,027**	1,059
Total segment assets	**2,830**	3,058
Head office	**46**	56
Total non-current operating assets	**2,876**	3,114
Non-operating assets	**214**	202
Less: Non-current assets held for sale	**(102)**	(94)
Total non-current assets	**2,988**	3,222

Non-operating assets and liabilities comprise financial assets and liabilities, taxation assets and liabilities and retirement benefit obligations.

Other information

By reportable segment	Impairment losses recognised in income 2013 £m	Depreciation and amortisation 2013 £m	Capital additions 2013 £m	Impairment losses recognised in income 2012 £m	Depreciation and amortisation 2012 £m	Capital additions 2012 £m
Africa	**12**	**14**	**27**	–	15	16
Asia Middle East	**5**	**34**	**40**	–	34	32
Latin America	**–**	**21**	**14**	–	19	98
Europe	**14**	**41**	**47**	–	48	50
North America	**105**	**29**	**11**	35	35	11
UK & Ireland	**7**	**86**	**65**	–	87	56
Head office	**7**	**2**	**3**	–	2	5
Total	**150**	**227**	**207**	35	240	268

7. DISCONTINUED OPERATIONS

Operations qualifying as discontinued in 2012 mainly comprised the cash and secure solutions businesses in Pakistan, which were disposed of in October 2012, the justice business in the United States of America, which was disposed of in April 2012, and the group's classified US Government Solutions business.

The classified US Government Solutions business is still included within discontinued operations as at 31 December 2013 as it was held for sale at that date. Due to circumstances beyond the group's control, mainly relating to the impact on market sentiment arising out of political uncertainty culminating with the US Government shutdown in early October 2013, the sale process has been extended and has now taken over 12 months since the previous year end. The sale process has progressed to a stage of negotiation with potential buyers and the group is confident a sale will be agreed in 2014.

Operations qualifying as discontinued in 2013 also included the group's cash business in Canada and the group's remaining business in Norway, both of which were sold in January 2014.

The results of the discontinued operations are presented below:

	2013 £m	2012 £m
Revenue	622	811
Expenses	(617)	(799)
Underlying PBITA	5	12
Review of assets and liabilities	(23)	–
Restructuring costs	(2)	(8)
Total PBITA	(20)	4
Impairment of goodwill and other assets to net recoverable amount	(80)	(35)
Amortisation of acquisition-related intangible assets	(4)	(5)
Operating loss before interest and taxation (PBIT)	(104)	(36)
Net finance costs	(1)	(6)
Attributable tax (charge)/credit	(8)	6
Total operating loss for the year	(113)	(36)
Loss on disposal of discontinued operations	(3)	(20)
Net loss attributable to discontinued operations	(116)	(56)

The effect of discontinued operations on segment results is disclosed in note 6.

The impairment of goodwill and other assets in 2013 and 2012 relates to the US Government Solutions business and reduces the carrying value of its net assets down to their recoverable amount.

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

	2013 £m	2012 £m
Net cash flows from operating activities (after tax)	30	35
Net cash flows from investing activities	(18)	(1)
Net cash flows from financing activities	19	(6)
	31	28

8. PROFIT FROM OPERATIONS BEFORE INTEREST AND TAXATION (PBIT)

The income statement can be analysed as follows:

Continuing operations	2013 £m	2012 £m
Revenue	7,428	7,228
Cost of sales	(6,066)	(5,812)
Gross profit	1,362	1,416
Administration expenses	(1,404)	(1,138)
PBIT	(42)	278

Cost of sales includes a charge resulting from the group's review of assets and liabilities of £98m (2012: £nil) and a provision for the review of contracts of £27m (2012: £nil). Cost of sales in 2012 included a £70m net loss relating to the Olympics contract.

Administration expenses include £72m of amortisation of acquisition-related intangible assets (2012: £84m), £4m of acquisition-related expenses (2012: £7m) and are net of a £24m profit recognised on the disposal of the group's secure archiving business in Colombia (2012: £5m profit on disposal of assets and subsidiaries).

Administration expenses also include a £46m charge relating to goodwill impairment made at the half year (2012: £nil), a charge resulting from the group's review of assets and liabilities of £84m (2012: £nil), a provision for the settlement on the UK Electronic Monitoring contract and two smaller contracts of £109m (2012: £nil) and restructuring costs of £68m (2012: £42m). Further details of specific items are given below. Administration expenses in 2012 included £24m of one-off credits relating to fair value and other provision releases and a charge of £18m for sponsorship and other costs relating to the Olympics contract.

Specific items
Specific items have been excluded from underlying results to provide a clear comparison of the underlying trading performance of the group. These items are set out below:

	As at 30 June 2013 £m	Since 30 June 2013 £m	As at 31 December 2013 £m
Contracts review	–	136	**136**
Review of assets and liabilities			
Impairment of fixed assets	23	3	**26**
Current asset write-downs	17	17	**34**
Impairment of receivables	52	7	**59**
Creditors, claims and provisions	40	23	**63**
Total review of assets and liabilities	132	50	**182**
Subtotal	132	186	**318**
Restructuring	4	64	**68**
Total specific items	136	250	**386**

Contracts review
A global financial review of 163 contracts, including UK Electronic Monitoring and other contracts, with annualised revenues of around £2bn resulted in a £136m charge. For more details of the UK Electronic Monitoring settlement please see note 34 on page 135.

Review of assets and liabilities
A review of the group's assets and liabilities applying more balanced judgements was initiated in the first half of 2013, resulting in a PBITA charge of £132m. This was extended to cover all legal entities during the second half of the year. Completion of this review resulted in a further charge of £50m, bringing the full-year charge to PBITA of £182m. The total charge related principally to impairment of fixed assets, inventory obsolescence, write down of receivables and the recognition of employee related liabilities.

Restructuring costs
Restructuring charges of £68m (2012: £42m) were incurred during the year. These include £35m in respect of restructuring programmes in the UK & Ireland, Finland and other European businesses. Acceleration of the restructuring programme in the fourth quarter, primarily in the Netherlands, Belgium and in North America, resulted in additional charges of £33m.

9. PROFIT FROM OPERATIONS

Profit from continuing and discontinued operations has been arrived at after charging/(crediting):

	Notes	Continuing 2013 £m	Discontinued 2013 £m	Total 2013 £m	Continuing 2012 £m	Discontinued 2012 £m	Total 2012 £m
Cost of sales							
Cost of inventories recognised as an expense		**108**	**5**	**113**	84	6	90
Net loss on Olympics contract	8	**–**	**–**	**–**	70	–	70
Contracts review	8	**27**	**–**	**27**	–	–	–
Review of assets and liabilities	8	**98**	**–**	**98**	–	–	–
Administration expenses							
Acquisition-related expenses		**4**	**–**	**4**	7	–	7
Sponsorship and other costs on Olympics contract	8	**–**	**–**	**–**	18	–	18
Restructuring costs	8	**68**	**2**	**70**	42	8	50
Amortisation of acquisition-related intangible assets		**72**	**4**	**76**	84	5	89
Goodwill impairment	19	**46**	**80**	**126**	–	35	35
Contracts review	8	**109**	**–**	**109**	–	–	–
Review of assets and liabilities	8	**84**	**23**	**107**	–	–	–
One-off credits		**–**	**–**	**–**	(24)	–	(24)
Amortisation of other intangible assets		**24**	**2**	**26**	22	2	24
Depreciation of property, plant and equipment		**118**	**7**	**125**	117	10	127
Profit on disposal of property, plant and equipment		**–**	**–**	**–**	(3)	–	(3)
(Profit)/loss on disposal of subsidiaries	18	**(24)**	**3**	**(21)**	(2)	20	18
Impairment of trade receivables		**20**	**–**	**20**	28	–	28
Litigation settlements		**1**	**–**	**1**	1	–	1
Research and development expenditure		**5**	**–**	**5**	5	–	5
Operating lease rentals payable		**135**	**5**	**140**	126	5	131
Operating sub-lease rentals receivable		**(16)**	**–**	**(16)**	(14)	–	(14)

10. AUDITORS' REMUNERATION

	2013 £m	2012 £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	1	1
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	6	5
All other services*	1	1

* **Other services includes the provision of tax and non-audit advisory services.**

The Corporate Governance Report on pages 52 to 60 outlines the company's established policy for ensuring that audit independence is not compromised through the provision by the company's auditor of other services.

11. STAFF COSTS AND EMPLOYEES

The average monthly number of employees, in continuing and discontinued operations, including executive directors was:

	2013 Number	2012 Number
By reportable segment and geographical area		
Africa	113,964	112,347
Asia Middle East	262,818	277,028
Latin America	75,118	67,190
Europe	72,152	82,333
North America	60,238	59,062
UK & Ireland	44,672	50,168
Head office	173	126
Total average number of employees	629,135	648,254

Their aggregate remuneration, in continuing and discontinued operations, comprised:

	2013 £m	2012 £m
Wages and salaries	4,665	4,689
Social security costs	561	552
Employee benefits	215	211
Total staff costs	5,441	5,452

Information on directors' remuneration, long-term incentive plans, pension contributions and entitlements is set out in the Directors' Remuneration Report on pages 64 to 79.

12. FINANCE INCOME

	2013 £m	2012 £m
Interest income on cash, cash equivalents and investments	14	11
Other interest income	1	1
Loss arising from change in fair value of derivative financial instruments hedging loan notes	(28)	(6)
Gain arising from fair value adjustment to the hedged loan note items	28	6
Total finance income	15	12

13. FINANCE COSTS

	2013 £m	2012 £m
Interest on bank overdrafts and loans	26	35
Interest on loan notes	100	83
Net interest receivable on loan note related derivatives	(12)	(10)
Interest on obligations under finance leases	4	3
Other interest charges	5	6
Total group borrowing costs	123	117
Net finance costs on defined retirement benefit obligations	20	15
Total finance costs	143	132

Included within interest on bank overdrafts and loans is a charge of £6m (2012: £6m) relating to cash flow hedges that were transferred from equity during the year.

14. TAXATION

	Continuing operations 2013 £m	Discontinued operations 2013 £m	Total 2013 £m	Continuing operations 2012 £m	Discontinued operations 2012 £m	Total 2012 £m
Current taxation expense/(credit)						
UK corporation tax	12	–	12	4	–	4
Overseas tax	58	(4)	54	72	(2)	70
Adjustments in respect of prior years:						
UK corporation tax	1	–	1	(3)	–	(3)
Overseas tax	21	9	30	(1)	–	(1)
Total current taxation expense/(credit)	92	5	97	72	(2)	70
Deferred taxation (credit)/expense (see note 35)						
Current year	(23)	(2)	(25)	(26)	–	(26)
Adjustments in respect of prior years	(13)	5	(8)	(6)	(4)	(10)
Total deferred taxation (credit)/expense	(36)	3	(33)	(32)	(4)	(36)
Total income tax expense/(credit) for the year	56	8	64	40	(6)	34

UK corporation tax is calculated at 23.3% (2012: 24.5%) of the estimated assessable profits for the period. Overseas tax is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2013 £m	2012 £m
(Loss)/profit before taxation		
Continuing operations	(170)	158
Discontinued operations	(108)	(62)
Total (loss)/profit before taxation	(278)	96
Tax at UK corporation tax rate of 23.3% (2012: 24.5%)	(65)	24
Expenses that are not deductible in determining taxable profit	46	9
Tax losses not recognised in the current year	44	8
Different tax rates of subsidiaries operating in non-UK jurisdictions	13	8
Movement in deferred tax balance due to reduction in UK rate to 20% from 1 April 2015	3	(1)
Adjustments for previous years	23	(14)
Total income tax charge	64	34
Effective tax rate	(23)%	35%

The following taxation charge/(credit) has been recognised directly in equity within the statement of comprehensive income:

	2013 £m	2012 £m
Tax relating to components of other comprehensive income		
Actuarial losses on defined retirement benefit schemes	1	(30)
Change in fair value of cash flow and net investment hedging financial instruments	3	(3)
Other	1	(2)
Total tax debited/(credited) to other comprehensive income	5	(35)

15. DIVIDENDS

	Pence per share	DKK per share	2013 £m	2012 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2011	5.11	0.4544	–	72
Interim dividend for the six months ended 30 June 2012	3.42	0.3220	–	48
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	–
			130	120
Proposed final dividend for the year ended 31 December 2013	5.54	0.4954	86	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 13 June 2014 to shareholders who are on the UK register on 2 May 2014. The exchange rate used to translate it into Danish krone is that at 11 March 2014.

16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDER OF THE PARENT

	Note	2013 £m	2012 £m
From continuing and discontinued operations			
(Loss)/profit for the year attributable to equity holders of the parent		(362)	40
Weighted average number of ordinary shares (m) (see note below)		1,452	1,403
(Loss)/earnings per share from continuing and discontinued operations (pence)			
Basic and diluted		(24.9)p	2.9p
From continuing operations			
(Loss)/earnings			
(Loss)/profit for the year attributable to equity holders of the parent		(362)	40
Adjustment to exclude loss for the year from discontinued operations (net of tax)	7	116	56
(Loss)/profit from continuing operations		(246)	96
(Loss)/earnings per share from continuing operations (pence)			
Basic and diluted		(16.9)p	6.8p
From discontinued operations			
Loss per share from discontinued operations (pence)			
Basic and diluted		(8.0)p	(4.0)p
From adjusted earnings			
Earnings			
(Loss)/profit from continuing operations		(246)	96
Adjustments for:			
Amortisation of acquisition-related intangible assets		72	84
Goodwill impairment		46	–
Acquisition-related expenses		4	7
Profit on disposal of assets and subsidiaries		(24)	(5)
Contracts review		136	–
Other specific items		182	67
Restructuring		68	42
Tax on specific items		(19)	(43)
Non-controlling interests' share of specific items		(5)	–
Adjusted profit for the year attributable to equity holders of the parent		214	248
Weighted average number of ordinary shares (m)		1,452	1,403
Adjusted earnings per share (pence)		14.7p	17.7p

Adjusted earnings per share

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

Share placing

In August 2013 the group completed a 9.99% share placing which resulted in the weighted average number of shares for the year increasing to 1,452 million.

17. ACQUISITIONS

Current year acquisitions

The group undertook a number of business combinations in the current year including the acquisition of Deposita, a cash solutions business in South Africa.

A summary of the provisional fair value of net assets acquired by geographical location is presented below:

	Europe £m	Emerging Markets £m	Total group £m
Provisional fair value of net assets acquired of subsidiary undertakings	5	9	14
Goodwill	1	3	4
Total purchase consideration	6	12	18

The following table sets out the provisional fair value to the group in respect of all acquisitions made in the year:

	Fair value £m
Intangible assets	15
Property, plant and equipment	2
Deferred tax assets	2
Inventories	4
Trade and other receivables	3
Cash and cash equivalents	1
Trade and other payables	(6)
Borrowings	(4)
Deferred tax liabilities	(3)
Net assets acquired of subsidiary undertakings	14
Goodwill	4
Total purchase consideration (paid in cash)	18

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value. These include the recognition of customer-related intangible assets amounting to £12m. The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These estimates may be adjusted to reflect any development in the issues to which they relate.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce, developed expertise and processes and the opportunities to obtain new contracts and develop the business. None of these meet the criteria for recognition as intangible assets separable from goodwill. No goodwill acquired in the year is expected to be deductible for tax purposes.

From their respective dates of acquisition, the acquired businesses contributed £28m to revenues, £4m to PBITA and £3m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2013, group revenue would have been £7,434m, underlying PBITA would have been £443m and total loss for the year would have been £341m.

17. ACQUISITIONS (CONTINUED)

Prior year acquisitions
Principal acquisitions in subsidiary undertakings in the prior year included the purchase of a 100% interest in Vanguarda Segurança e Vigilância Ltda 'Vanguarda', a security personnel, security systems and monitoring services provider in Brazil.

At 31 December 2012, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2012 has since been finalised. This resulted in fair value adjustments to acquired trade debtors (increase of £9m), trade creditors (decrease of £3m) and provisions (decrease of £3m) with a resulting £15m decrease in the value of goodwill.

The net assets acquired and goodwill arising in respect of all acquisitions made in 2012 are as follows:

	Fair value £m
Intangible assets	31
Property, plant and equipment	1
Trade and other receivables	16
Cash and cash equivalents	17
Trade and other payables	(19)
Provisions	(4)
Borrowings	(1)
Deferred tax liabilities	(9)
Net assets acquired of subsidiary undertakings	32
Goodwill	61
Total purchase consideration	93

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value. These include the recognition of customer-related intangible assets amounting to £31m.

In the year of acquisition, in aggregate, the acquired businesses contributed £39m to revenues, £4m to PBITA and £1m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2012, group revenue would have been £7,264m, underlying PBITA would have been £472m and total profit for the year would have been £64m.

Post balance sheet acquisitions
No significant acquisitions have been effected between the balance sheet date and the date that the financial statements were authorised for issue.

18. DISPOSAL OF SUBSIDIARIES

During the current year the group disposed of its data solutions business in Colombia and its cash business in Slovakia. Since the year end the group has disposed of its business in Norway (for proceeds of £29m) and its cash solutions business in Canada (for proceeds of £60m). In the prior year the group disposed of its cash solutions business in Sweden, a justice services business in the United States of America, its security systems business in the Netherlands and its businesses in Poland and Pakistan.

The net assets and profit on disposal of operations disposed of were as follows:

	2013 £m	2012 £m
Goodwill	–	10
Property, plant and equipment and intangible assets other than acquisition-related	8	18
Current assets	11	26
Liabilities	(5)	(17)
Net assets of operations disposed	14	37
Profit/(loss) on disposal	21	(18)
Total consideration	35	19
Satisfied by:		
Cash received	35	25
Disposal costs	–	(6)
Total consideration	35	19

19. INTANGIBLE ASSETS

2013	Goodwill £m	Acquisition-related intangible assets: Trademarks £m	Customer related £m	Technology £m	Other intangibles £m	Total £m
Cost						
At 1 January 2013	2,170	33	675	6	199	3,083
Acquisition of businesses	4	–	12	3	–	19
Additions	–	–	–	–	27	27
Disposals	–	–	–	–	(5)	(5)
Reclassified as held for sale	(45)	(1)	(18)	–	(14)	(78)
Translation adjustments	(66)	–	(12)	–	(7)	(85)
At 31 December 2013	2,063	32	657	9	200	2,961
Amortisation and accumulated impairment losses						
At 1 January 2013	(62)	(30)	(475)	(5)	(112)	(684)
Amortisation charge	–	(2)	(73)	(1)	(26)	(102)
Impairment charge	(46)	–	–	–	–	(46)
Disposals	–	–	–	–	4	4
Reclassified as held for sale	–	1	17	–	8	26
Translation adjustments	11	–	11	–	3	25
At 31 December 2013	(97)	(31)	(520)	(6)	(123)	(777)
Carrying amount						
At 1 January 2013	2,108	3	200	1	87	2,399
At 31 December 2013	**1,966**	**1**	**137**	**3**	**77**	**2,184**

2012	Goodwill £m	Trademarks £m	Customer related £m	Technology £m	Other intangibles £m	Total £m
Cost						
At 1 January 2012	2,275	34	673	19	185	3,186
Acquisition of businesses	61	–	31	–	–	92
Additions	–	–	–	–	25	25
Disposals	(5)	(1)	(2)	(12)	(10)	(30)
Reclassified as held for sale	(88)	–	(14)	–	–	(102)
Translation adjustments	(73)	–	(13)	(1)	(1)	(88)
At 31 December 2012	2,170	33	675	6	199	3,083
Amortisation and accumulated impairment losses						
At 1 January 2012	(70)	(28)	(412)	(17)	(98)	(625)
Amortisation charge	–	(3)	(85)	(1)	(24)	(113)
Impairment charge	(35)	–	–	–	–	(35)
Disposals	1	1	2	12	6	22
Reclassified as held for sale	35	–	11	–	–	46
Translation adjustments	7	–	9	1	4	21
At 31 December 2012	(62)	(30)	(475)	(5)	(112)	(684)
Carrying amount						
At 1 January 2012	2,205	6	261	2	87	2,561
At 31 December 2012	2,108	3	200	1	87	2,399

19. INTANGIBLE ASSETS (CONTINUED)

Goodwill allocation
Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) which are expected to benefit from that business combination. The majority of the group's goodwill was generated by the merger of the security services businesses of Group 4 Falck and Securicor in 2004 which was accounted for as an acquisition of Securicor by Group 4 Falck.

Goodwill impairment testing
The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that any of these assets may be impaired. The annual impairment test is performed prior to the year end when the budgeting process is finalised and reviewed post year end. The group's impairment test compares the carrying value of each CGU with its recoverable amount. CGUs are identified on a country level basis including significant business units, as per the group's detailed management accounts. Under IAS 36 'Impairment of Assets', an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is generally determined by its value in use which is derived from discounted cash flow calculations. The key inputs to the calculations are described below. In certain circumstances, where market prices can be ascertained (for example through recent transactions), fair value less costs to sell is used as a basis for the recoverable amount.

Forecast cash flows
All operating countries in the group are required to submit a budget for the next financial year (for the current year test this is for the year ended 31 December 2014) and their strategic plan forecasts for the following two years (in this case the years ended 31 December 2015 and 31 December 2016).

The revenue figures submitted as part of this exercise are used to derive a growth rate for the discounted cash flow calculation (see the growth rate table below). The group applies a 10% forecast risk to reduce revenue forecasts in each year to reflect the uncertainties inherent in estimating future revenue streams.

Forecast cash flows are adjusted from year 4 onwards by applying a growth rate as detailed in the growth rate section, and discounted using specific risk-adjusted discount rates as described in the discount rate section.

Growth Rate
Growth rates are determined from the budgeted and forecast revenue in years 1-3 and then projected using the lower of the forecast growth rate and the country's nominal growth rate (per the IMF) to a terminal growth rate in year 15 of 1% for developed markets or 3% for emerging markets. This is detailed in the table below:

Growth assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to 15	Terminal value
Input	Budget*	Forecast*	Forecast*	Projected – to year 5 at lower of forecast or country growth	Projected –to year 5 at lower of forecast or country growth	Projected to year 15 'terminal growth'	Estimate of residual growth: developed 1%; emerging 3%
Example	8%	7%	6%	5%	4%	4% to 1% over 10 years	1%

* Budgets and forecasts are reviewed by the group Board.

In the above example, budgeted year 1 growth rate is 8%, forecast growth in year 2 is 7% and in year 3 is 6%. The country growth rate is 4% so the growth rate is reduced each year to reach 4% at year 5. From year 6 the growth rate is then reduced over the next ten years to provide a terminal value growth of 1% (the example is based on a developed market CGU).

Discount rate
Discount rates are calculated for each CGU based on the relevant local risk-free rate adjusted for that CGU's specific risk-adjusted equity risk premium. For the impairment test performed for the year ended 31 December 2013 the group has revised the calculation of the discount rates applied to certain CGU's. This revision adjusts for the current low-interest rate environment by increasing abnormally low discount rates. Details of how the other key discount rate inputs are derived are given below:

Input	How determined	31 Dec 2013
Risk free rate	The risk free rate is generally obtained from the applicable government's 10 year gilt/bond rates. Where these are unavailable the group uses the closest available information (eg shorter term gilt rates).	2.83% in UK
UK equity risk premium	The equity risk premium is determined for the UK by analysing a variety of sources including economic studies carried out by Barclays Capital and others.	5.0% in UK
Operating country equity risk premium	Specific local equity risk premiums are based on the UK risk premium adjusted for specific economic and financial risks. The sources for these adjustments are the Institutional Investor Magazine and the IMF website as well as other studies by independent economists.	
Leveraged beta	Beta is a risk adjustment applied to the discount rate to reflect the risk of the group's operating companies relative to the market as a whole. The group's beta is obtained from independent market studies and is adjusted for the appropriate leverage of the group.	0.8 for the group
Tax rate	Local tax rates are applied to each CGU to calculate pre-tax cost of equity.	23% in UK
Debt margin	The group applies a margin to the cost of debt for each CGU, with a higher margin applied to those CGUs operating in higher risk environments. These margins range from 1.5% in less risky CGUs (for example in the UK) to 5-6% in more risky CGUs (eg 5.5% in Yemen).	1.5% in UK
Weighted average cost of capital	The weighted average cost of capital is calculated by weighting the cost of equity and the cost of debt by the applicable debt:equity ratio at the year end.	8.6% in UK

The table below sets out the discount rates and growth rates used for the group's significant countries:

	Discount rate 2013	Discount rate 2012	Growth rate* 2013	Growth rate* 2012	Goodwill 2013 £m	Goodwill 2012 £m
South Africa	16.0%	14.0%	8.5%	9.0%	30	36
Brazil	18.4%	14.8%	8.0%	8.7%	98	142
Canada**	8.2%	6.9%	4.0%	2.8%	8	51
United States of America	9.0%	7.4%	5.3%	5.2%	384	395
Hong Kong	9.2%	5.4%	7.5%	7.3%	38	39
Malaysia	10.4%	8.6%	7.4%	7.5%	40	43
Estonia	9.2%	7.4%	6.2%	3.6%	63	61
Israel	10.4%	9.4%	1.0%	2.0%	36	34
Netherlands	8.9%	7.0%	3.1%	3.6%	150	146
United Kingdom	8.6%	7.1%	4.3%	2.8%	710	706
Other (all allocated)					409	455
Total goodwill					1,966	2,108

* Lower of country growth rate per IMF and implied year 3 business forecast growth rate.

** £45m of goodwill in respect of the cash solutions business in Canada was reclassified as held for sale in 2013.

Within the UK, the most significant CGUs and their goodwill carrying values are UK Care and Justice (£247m), UK Cash Solutions (£205m) and UK Secure Solutions (£102m). Within the USA, the most significant CGU is US Commercial Security Solutions with goodwill of £302m.

Impairment

During the year ended 31 December 2013 impairment charges totalling £46m were recorded in respect of the group's goodwill, in the following countries:

	Goodwill pre-impairment	Impairment	Goodwill post-impairment	Growth rate*	Discount rate
Democratic Republic of Congo	8	(4)	4	11.4%	42.7%
Malawi	3	(2)	1	10.6%	50.0%
Nigeria	9	(4)	5	13.6%	25.6%
Brazil	122	(24)	98	8.0%	18.4%
Ireland	17	(5)	12	4.2%	10.1%
Other impaired	7	(7)	–		
Non-impaired	1,846	–	1,846		
Total	2,012	(46)	1,966		

* Lower of country growth rate per IMF and implied year 3 business forecast growth rate.

The impairment charge in Brazil was driven by losses incurred in the first half of the year in the technology business and a general downturn in trading. The impairment in Ireland was as a result of the economic challenges in the country and the specific situation of the group's cash business. Certain CGUs in Africa were impaired as a result of worsening economic and political circumstances in those countries.

Sensitivity to key assumptions

The key assumptions used in the discounted cash flow calculations relate to the discount rates and growth rates used. The table below shows the additional impairment that would arise from an increase in discount rates by 1% and 3% (with all other variables being equal, for example taking the UK base rate from 8.6% to 9.6% and 11.6%) or a decrease in growth rates by 1% and 3% (with all other variables being equal, for example taking the UK growth rate from 4.3% to 3.3% and 1.3%) for the group in total and for each of its significant countries.

			Additional impairment			Additional impairment	
	Goodwill 2013 £m	Base discount rate 2013	1% increase 2013 £m	3% increase 2013 £m	Base growth rate* 2013	1% decrease 2013 £m	3% decrease 2013 £m
South Africa	30	16.0%	–	–	8.5%	–	–
Brazil	98	18.4%	6	16	8.0%	4	12
Canada	8	8.2%	–	–	4.0%	–	–
United States of America	396	9.0%	–	–	5.3%	–	–
Hong Kong	38	9.2%	–	–	7.5%	–	–
Malaysia	40	10.4%	–	–	7.4%	–	–
Estonia	63	9.2%	7	22	6.2%	6	18
Israel	36	10.4%	–	–	1.0%	–	–
Netherlands	150	8.9%	11	28	3.1%	6	15
United Kingdom	710	8.6%	–	47	4.3%	–	22
Other (all allocated)	397		2	9		1	6
Total	1,966		26	122		17	73

* Lower of country growth rate per IMF and implied year 3 business forecast growth rate.

20. PROPERTY PLANT AND EQUIPMENT

2013	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2013	240	983	1,223
Acquisition of businesses	–	2	2
Additions	21	138	159
Disposals	(10)	(63)	(73)
Reclassified as held for sale	(5)	(35)	(40)
Translation adjustments	(2)	(29)	(31)
At 31 December 2013	244	996	1,240
Depreciation and accumulated impairment losses			
At 1 January 2013	(77)	(634)	(711)
Depreciation charge	(15)	(110)	(125)
Disposals	8	47	55
Reclassified as held for sale	4	22	26
Translation adjustments	1	4	5
At 31 December 2013	(79)	(671)	(750)
Carrying amount			
At 1 January 2013	163	349	512
At 31 December 2013	165	325	490

2012	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2012	222	1,012	1,234
Acquisition of businesses	–	1	1
Additions	24	126	150
Disposals	(3)	(89)	(92)
Reclassified as held for sale	(2)	(15)	(17)
Translation adjustments	(1)	(52)	(53)
At 31 December 2012	240	983	1,223
Depreciation and accumulated impairment losses			
At 1 January 2012	(67)	(636)	(703)
Depreciation charge	(15)	(112)	(127)
Disposals	4	65	69
Reclassified as held for sale	1	10	11
Translation adjustments	–	39	39
At 31 December 2012	(77)	(634)	(711)
Carrying amount			
At 1 January 2012	155	376	531
At 31 December 2012	163	349	512

The net book value of equipment and vehicles held under finance leases was £52m (2012: £57m). Accumulated depreciation on these assets was £124m (2012: £116m) and the depreciation charge for the year was £17m (2012: £19m).

The rights over finance leased assets are effectively security for lease liabilities. These rights revert to the lessor in the event of default.

The net book value of equipment and vehicles includes £26m (2012: £34m) of assets leased by the group to third parties under operating leases. Accumulated depreciation on these assets was £97m (2012: £91m) and the depreciation charge for the year was £7m (2012: £9m).

The net book value of land and buildings comprises freeholds of £73m (2012: £71m), long leaseholds of £20m (2012: £20m) and short leaseholds of £72m (2012: £72m).

21. INVESTMENT IN JOINT VENTURES

At the year end the group owned 59% of the equity of Bridgend Custodial Services Ltd. The group jointly shares operational and financial control over the operations and is therefore entitled to a proportionate share of its results, which are consolidated on the basis of the equity shares held. The group's correctional facilities in South Africa are under a similar arrangement other than that the group's holding is 20%. During the year the group acquired a 50% share of the equity of Policity Limited, to construct and run a police training academy facility in Israel, which also operates under a similar arrangement.

The results of each of the jointly controlled operations are prepared in accordance with group accounting policies. The way the group accounts for joint ventures will change in 2014 with the adoption of IFRS 11 'Joint Arrangements', as explained in note 3(v). In particular, the group will no longer account for joint ventures using the proportionate method and will instead apply the equity method.

Amounts proportionately consolidated into the group's financial statements are as follows:

Results	2013 £m	2012 £m
Revenue	43	36
Expenses	(39)	(32)
Profit after tax	4	4

Balance sheet	2013 £m	2012 £m
Assets		
Non-current assets	22	16
Current assets	24	6
Liabilities		
Current liabilities	(9)	(10)
Non-current liabilities	(32)	(7)
Net assets	5	5

22. INVENTORIES

	2013 £m	2012 £m
Raw materials	14	16
Work in progress	14	16
Finished goods including consumables	89	96
Total inventories	117	128

23. INVESTMENTS

Investments comprise primarily listed securities of £29m (2012: £40m) held by the group's wholly-owned captive insurance subsidiaries. These are stated at their fair values based on quoted market prices consistent with level 1 of the valuation hierarchy. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

24. TRADE AND OTHER RECEIVABLES

	Notes	2013 £m	2012 £m
Within current assets			
Trade debtors		1,159	1,243
Allowance for doubtful debts		(39)	(46)
Other debtors (including tax receivable)		154	173
Prepayments and accrued income		82	88
Amounts due from construction contract customers	25	23	22
Derivative financial instruments at fair value	31	15	26
Total trade and other receivables included within current assets		1,394	1,506
Within non-current assets			
Derivative financial instruments at fair value	31	74	81
Other debtors*		56	51
Total trade and other receivables included within non-current assets		130	132

* Other debtors include amounts receivable under service concession arrangements of £22m (2012: £13m) which are pledged as security against borrowings of the group.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit risk on trade receivables

There is limited concentration of credit risk with respect to trade receivables, as the group's customers are both large in number and dispersed geographically in 120 countries. The group's largest customer is the UK Government which comprises approximately 13% (2012:10%) of the total trade debtor balance as at 31 December 2013. Group companies are required to follow the Group Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and assessments and obtaining additional security where required.

Credit terms vary across the group and can range from 0 to 90 days to reflect the different risks within each country in which the group operates. There is no group-wide rate of provision, and provision is made for debts that are past due according to local conditions and past default experience.

The movement in the allowance for doubtful debts is as follows:

	2013 £m	2012 £m
At 1 January	(46)	(67)
Amounts written off during the year	20	28
Increase in allowance	(13)	(7)
At 31 December	(39)	(46)

The ageing of trade debtors, net of allowance for doubtful debts, is as follows:

	2013 £m	2012 £m
Not yet due	887	890
1-30 days overdue	132	161
31-60 days overdue	27	70
61-90 days overdue	28	29
91-180 days overdue	38	26
181-365 days overdue	6	7
Over 365 days overdue	2	14
Net trade debtors	**1,120**	1,197

Included within 'not yet due' in the prior year is £75m relating to the Olympics contract settlement.

No additional provision has been made on the above amounts as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The group does not hold any collateral over these balances. The proportion of trade debtors at 31 December 2013 that were overdue for payment was 21% (2012: 26%). The group-wide average age of all trade debtors at year end was 54 days (2012: 60 days).

The directors believe the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value.

25. CONSTRUCTION CONTRACTS

	Notes	2013 £m	2012 £m
Amounts due from contract customers included in trade and other receivables	24	23	22
Amounts due to contract customers included in trade and other payables	30	(2)	(2)
Net balances relating to construction contracts		21	20
Contract costs incurred plus recognised profits less recognised losses to date		287	311
Less: progress billings		(266)	(291)
Net balances relating to construction contracts		21	20

At 31 December 2013, advances received from customers for contract work amounted to £4m (2012: £4m). There were no retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

26. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

At 31 December 2013, disposal groups classified as held for sale primarily comprised the assets and liabilities associated with the classified Government Solutions business in the United States of America (see note 7), the group's business in Norway which was sold in January 2014 and the cash solutions business in Canada which was also sold in January 2014. A further impairment charge of £80m has been applied to goodwill and other assets in the US Government Solutions business during the year.

At 31 December 2012, disposal groups classified as held for sale primarily comprised the assets and liabilities associated with the classified Government Solutions business in the United States of America, which were subject to a £35m impairment charge to goodwill in the prior year to write down their assets to their estimated recoverable value.

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

	2013 £m	2012 £m
ASSETS		
Goodwill	45	53
Acquisition-related intangible assets	1	3
Property, plant and equipment and intangible assets other than acquisition-related	20	6
Interest in associates	12	5
Trade and other receivables (non-current)	10	12
Deferred tax asset	14	15
Trading investments	12	11
Inventories	2	–
Trade and other receivables (current)	89	104
Cash and cash equivalents	15	20
Total assets classified as held for sale	220	229
LIABILITIES		
Bank loans	(19)	(1)
Trade and other payables	(93)	(36)
Retirement benefit obligations	(17)	(13)
Deferred tax liability	(4)	(2)
Total liabilities associated with assets classified as held for sale	(133)	(52)
Net assets of disposal group	87	177

27. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

A reconciliation of cash and cash equivalents reported within the consolidated cash flow statement to amounts reported within the consolidated statement of financial position is presented below:

	2013 £m	2012 £m
Cash and cash equivalents	594	469
Bank overdrafts	(22)	(17)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	15	20
Total cash, cash equivalents and bank overdrafts	587	472

Cash and cash equivalents comprise principally short-term money market deposits, current account balances and group-owned cash held in ATM machines and at 31 December 2013 bore interest at a weighted average rate of 0.7% (2012: 0.5%). The credit risk on cash and cash equivalents is limited because wherever possible and in accordance with Group Treasury policy, the cash is placed with bank counterparties that hold investment grade credit ratings assigned by international credit-rating agencies.

The group operates a multi-currency notional pooling cash management system which included over 140 group companies at 31 December 2013. It is expected that the number of participants in the group will continue to grow. The group met the conditions of IAS 32 'Financial Instruments: Presentation' allowing balances within this cash pool to be offset for reporting purposes. At 31 December 2013 £422m (2012: £360m) of the cash balances and the equivalent amount of the overdraft balances were offset.

Cash and cash equivalents of £39m (2012: £27m) are held by the group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the group's captive insurance subsidiaries.

28. BANK OVERDRAFTS, BANK LOANS AND LOAN NOTES

	2013 £m	2012 £m
Bank overdrafts	22	17
Bank loans	196	345
Loan notes*	1,982	2,039
Total bank overdrafts, bank loans and loan notes	2,200	2,401
The borrowings are repayable as follows:		
On demand or within one year	110	75
In the second year	96	86
In the third to fifth years inclusive	1,392	1,059
After five years	602	1,181
Total bank overdrafts, bank loans and loan notes	2,200	2,401
Less: Amount due for settlement within 12 months (shown under current liabilities):		
– Bank overdrafts	(22)	(17)
– Bank loans	(27)	(18)
– Loan notes	(61)	(40)
	(110)	(75)
Amount due for settlement after 12 months	2,090	2,326

* Loan notes includes £716m (2012: £794m) of private loan notes and £1,266m (2012: £1,245m) of public loan notes.

Analysis of bank overdrafts, bank loans and loan notes by currency:

	Sterling £m	Euro £m	US Dollar £m	Other £m	Total £m
Bank overdrafts	1	8	6	7	22
Bank loans	–	37	80	79	196
Loan notes	419	915	648	–	1,982
At 31 December 2013	420	960	734	86	2,200
Bank overdrafts	6	1	7	3	17
Bank loans	137	73	99	36	345
Loan notes	419	895	725	–	2,039
At 31 December 2012	562	969	831	39	2,401

Of the borrowings in currencies other than sterling, £1,014m (2012: £1,078m) is designated as a net investment hedge.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2013 adjusted for hedging were as follows:

	2013 %	2012 %
Bank overdrafts	1.1	1.5
Bank loans	3.5	3.5
Private loan notes	4.2	4.5
Public loan notes	4.3	4.2

The group's committed bank borrowings comprise a £1,100m multi-currency revolving credit facility with a maturity date of March 2016. At 31 December 2013, undrawn committed available facilities amounted to £965m (2012: £856m). Interest on all committed bank borrowing facilities is at prevailing Libor or Euribor rates, dependent upon the period of drawdown, plus an agreed margin, and re-priced within one year or less.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 32.

The group issued fixed rate loan notes in the US Private Placement market totalling US$550m (£332m) on 1 March 2007. The notes mature in March 2014 ($100m), March 2017 ($200m), March 2019 ($145m) and March 2022 ($105m).

The group issued further fixed rate loan notes in the US Private Placement market totalling US$514m (£310m) and £69m on 15 July 2008. $65m notes matured and were repaid on 15 July 2013, with the remaining notes maturing in July 2015 ($150m), July 2016 (£25m), July 2018 ($224m) and (£44m), and July 2020 ($75m).

The group issued its inaugural public note of £350m using its European Medium Term Note Programme on 13 May 2009. The note matures in May 2019.

During 2012 the group issued two further public notes, a €600m note issued in May 2012 maturing May 2017 and a €500m note issued in December 2012 maturing December 2018.

The committed bank facilities and the private loan notes are subject to one financial covenant (net debt to EBITDA ratio where EBITDA is calculated as underlying group PBITA plus depreciation and amortisation) and non-compliance with the covenant may lead to an acceleration of maturity. The group complied with the financial covenant throughout the year to 31 December 2013 and the year to 31 December 2012. The group has not defaulted on, or breached the terms of, any material loans during the year.

Bank overdrafts, bank loans, the loan notes issued in July 2008, the loan notes issued in May 2009, €510m of the loan notes issued in May 2012 and €380m of the loan notes issued in December 2012 are stated at amortised cost. The loan notes issued in March 2007, €90m of the loan notes issued in May 2012 and €120m of the loan notes issued in December 2012 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship.

US$200m (£121m) of the loan notes issued in July 2008 have a fair value market gain of £21m (2012: £31m) resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.975.

€325m (£270m) of the loan notes issued in May 2012 have a fair value market gain of £5m (2012: loss £5m) partly resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.222 and partly resulting from the cross currency swaps fixing the sterling and euro interest rates.

€350m (£291m) of the loan notes issued in December 2012 have a fair value market gain of £16m (2012: £2m) partly resulting from the cross currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.233 and partly resulting from the cross currency swaps fixing the sterling and euro interest rates.

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2013 £m	Minimum lease payments 2012 £m	**Present Value of minimum lease payments 2013 £m**	Present value of minimum lease payments 2012 £m
Amounts payable under finance leases:				
Within one year	**23**	20	**21**	18
In the second to fifth years inclusive	**31**	42	**28**	40
After five years	**3**	4	**3**	3
	57	66	**52**	61
Less: future finance charges on finance leases	**(5)**	(5)		
Present value of lease obligations	**52**	61		
Less: amount due for settlement within 12 months (shown under current liabilities)			**(21)**	(18)
Amount due for settlement after 12 months			**31**	43

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is eight years. For the year ended 31 December 2013, the weighted average effective borrowing rate was 4.8% (2012: 4.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The group's obligations under finance leases are secured by the lessors' charges over the leased assets.

30. TRADE AND OTHER PAYABLES

	Notes	**2013 £m**	2012 £m
Within current liabilities:			
Trade creditors		**223**	232
Amounts due to construction contract customers	25	**2**	2
Amounts owed to associated undertakings		**2**	2
Other taxation and social security costs		**200**	228
Holiday pay accruals		**336**	356
Other creditors		**95**	74
Accruals and deferred income		**312**	294
Derivative financial instruments at fair value	31	**2**	5
Total trade and other payables included within current liabilities		**1,172**	1,193
Within non-current liabilities:			
Derivative financial instruments at fair value	31	**2**	6
Other creditors		**11**	12
Total trade and other payables included within non-current liabilities		**13**	18

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days (2012: 42 days).

31. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Cross currency swaps designated as cash flow hedges	**42**	32	**–**	5
Interest rate swaps designated as cash flow hedges	**–**	–	**2**	6
Interest rate swaps designated as fair value hedges	**46**	73	**1**	–
Commodity swaps	**1**	2	**1**	–
	89	107	**4**	11
Less: non-current portion	**(74)**	(81)	**(2)**	(6)
Current portion	**15**	26	**2**	5

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 2 of the valuation hierarchy (inputs other than quoted prices in active markets that are observable for the asset and liability, either directly or indirectly). The source of the market prices is Bloomberg and in addition the third party relationship counterparty banks. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument which are discounted back to the balance sheet date. This value is compared to the original transaction value giving a fair value of the instrument at the balance sheet date.

The mark to market valuation of the derivatives has fallen by £11m during the year.

The interest rate, cross currency and commodity swaps treated as cash flow hedges have the following maturities:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Within one year	**1**	9	**1**	1
In the second year	**16**	–	**–**	2
In the third year	**–**	17	**2**	–
In the fourth year	**5**	–	**–**	3
In the fifth year or greater	**21**	8	**–**	5
Total carrying value	**43**	34	**3**	11

The projected settlement of cash flows (including accrued interest) associated with derivatives treated as cash flow hedges:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Within one year	**1**	7	**6**	7
In the second year	**16**	3	**4**	6
In the third year	**–**	–	**4**	5
In the fourth year	**11**	17	**–**	4
In the fifth year or greater	**26**	17	**–**	–
Total cash flows	**54**	44	**14**	22

32. FINANCIAL RISK

Capital management

On 28 August 2013 the group raised equity capital amounting to £348m before costs. The net proceeds of £343m were used to reduce debt that was drawn on the group's £1.1bn bank facility.

In May 2013, Standard & Poor's downgraded the group's long term credit rating to BBB- Negative. However, following the equity capital raising the group's rating was revised to BBB- Stable in September 2013. The group intends to continue to manage its capital structure so that it retains an investment grade rating.

The group's policy is to maintain a net debt to EBITDA ratio to below 2.5 times. At the end of 2013 the ratio was 2.6 times, before £89m of divestment proceeds received in January 2014. It is expected the ratio will be within the target range in 2014.

The group is currently well financed with £965m available and undrawn facilities from its committed £1.1bn bank facility. It has no significant maturity until March 2016 and has a medium to long term debt maturity profile. The group can access finance from the debt capital markets and the bank market. Borrowings are principally in sterling, US dollars and euros reflecting the geographies of significant operational assets and profits.

Liquidity risk

The group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the group's bank overdrafts, bank loans and loan notes see note 28.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2012	28%
31 March 2013	25%
30 June 2013	25%
30 September 2013	32%
31 December 2013	32%

To reduce re-financing risk, group treasury obtains finance with a range of maturities and hence minimises the impact of a single material source of finance terminating on a single date.

Re-financing risk is further reduced by group treasury opening negotiations to either replace or extend any major medium term facility at least 12 months before its termination date.

Maturity profile of loans and borrowings

The contractual maturities of financial assets and liabilities, together with the carrying amounts in the statement of financial position, including interest payments, estimated based on expectations at the reporting date, are shown below:

31 December 2013	Notes	Carrying Amount	Fair Value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
Investments	23	39	39	39	39	–	–
Derivative financial instruments (interest rate swaps)	31	46	46	53	16	35	2
Financial assets designated at fair value through profit or loss		85	85	92	55	35	2
Derivative financial instruments (commodity swaps)	31	1	1	1	1	–	–
Derivative financial instruments (cross currency swaps)	31	42	42	42	(3)	45	–
Financial assets designated as cash flow hedges		43	43	43	(2)	45	–
Net trade receivables	24	1,120	1,120	1,120	1,120	–	–
Cash and cash equivalents	27	594	594	594	594	–	–
Other financial assets	24	22	22	22	–	22	–
Loans and receivables		1,736	1,736	1,736	1,714	22	–
Loan notes (issued March 2007, 5.77%-6.06%, maturing 2014-22)	28	(377)	(377)	(420)	(78)	(175)	(167)
Derivative financial instruments (interest rate swaps)	31	(1)	(1)	(1)	1	(2)	–
Financial liabilities designated as fair value hedges		(378)	(378)	(421)	(77)	(177)	(167)
Derivative financial instruments (interest rate swaps)	31	(2)	(2)	(3)	(2)	(1)	–
Derivative financial instruments (commodity swaps)	31	(1)	(1)	(1)	–	(1)	–
Financial liabilities designated as cash flow hedges		(3)	(3)	(4)	(2)	(2)	–
Loan notes (issued July 2008, 6.09%-7.56%, maturing 2015-20)	28	(340)	(381)	(418)	(23)	(344)	(51)
Loan notes (issued May 2009, 7.75%, maturing 2019)	28	(350)	(376)	(513)	(27)	(109)	(377)
Loan notes (issued May 2012, 2.875%, maturing 2017)*	28	(500)	(508)	(556)	(14)	(542)	–
Loan notes (issued December 2012, 2.625%, maturing 2018)*	28	(415)	(410)	(471)	(11)	(460)	–
Bank loans	28	(196)	(196)	(196)	(27)	(169)	–
Overdrafts	28	(22)	(22)	(22)	(22)	–	–
Finance lease liabilities	29	(52)	(52)	(52)	(21)	(28)	(3)
Trade payables	30	(223)	(223)	(223)	(223)	–	–
Other liabilities	30	(11)	(11)	(11)	–	(11)	–
Financial liabilities measured at amortised cost		(2,109)	(2,179)	(2,462)	(368)	(1,663)	(431)

* €90m (£75m) of May 2012 loan notes and €120m (£100m) of December 2012 loan notes are recorded at fair value through profit or loss.

32. FINANCIAL RISK

31 December 2012	Notes	Carrying Amount	Fair Value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
Investments	23	56	56	56	56	–	–
Derivative financial instruments (interest rate swaps)	31	73	73	81	18	52	11
Financial assets designated at fair value through profit or loss		129	129	137	74	52	11
Derivative financial instruments (commodity swaps)	31	2	2	2	2	–	–
Derivative financial instruments (cross currency swaps)	31	32	32	32	6	12	14
Financial assets designated as cash flow hedges		34	34	34	8	12	14
Net trade receivables	24	1,197	1,192	1,192	1,192	–	–
Cash and cash equivalents	27	469	469	469	469	–	–
Other financial assets	24	13	13	13	–	13	–
Loans and receivables		1,679	1,674	1,674	1,661	13	–
Loan notes (issued March 2007, 5.77%-6.06%, maturing 2014-22)	28	(409)	(409)	(448)	(20)	(249)	(179)
Financial liabilities designated as fair value hedge		(409)	(409)	(448)	(20)	(249)	(179)
Derivative financial instruments (interest rate swaps)	31	(6)	(6)	(6)	(3)	(3)	–
Derivative financial instruments (cross-currency swaps)	31	(5)	(5)	(5)	(2)	(3)	–
Financial liabilities designated as cash flow hedges		(11)	(11)	(11)	(5)	(6)	–
Loan notes (issued July 2008, 6.09%-7.56%, maturing 2013-20)	28	(385)	(354)	(514)	(66)	(198)	(250)
Loan notes (issued May 2009, 7.75%, maturing 2019)	28	(350)	(350)	(540)	(27)	(109)	(404)
Loan notes (issued May 2012, 2.875%, maturing 2017)*	28	(489)	(507)	(557)	(14)	(543)	–
Loan notes (issued December 2012, 2.625%, maturing 2018)*	28	(406)	(409)	(469)	(11)	(42)	(416)
Bank loans	28	(345)	(345)	(345)	(18)	(327)	–
Overdrafts	28	(17)	(17)	(17)	(17)	–	–
Finance lease liabilities	29	(61)	(61)	(61)	(18)	(40)	(3)
Trade payables	30	(232)	(232)	(232)	(232)	–	–
Other liabilities	30	(12)	(12)	(12)	–	(12)	–
Financial liabilities measured at amortised cost		(2,297)	(2,287)	(2,747)	(403)	(1,271)	(1,073)

The gross cash flows disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out before contractual maturity. The disclosure shows net cash flow amount for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement – e.g. forward exchange contracts.

* €90m (£73m) of May 2012 loan notes and €120m (£97m) of December 2012 loan notes are recorded at fair value through profit or loss.

Market risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. Transaction risk is limited since, wherever possible, each business operates and conducts its financing activities in local currency. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial proportion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

Translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges.

At 31 December 2013, the group's US dollar and euro net assets were approximately 82% and 59% respectively hedged by foreign currency loans (2012: US dollar 85%, euro 60%).

Cross currency swaps with a nominal value of £101m are in place hedging the foreign currency risk on US$200m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.9750.

Cross currency swaps with a nominal value of £266m were arranged to hedge the foreign currency risk on €325m of the euro public notes issued in May 2012, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.2217.

Cross currency swaps with a nominal value of £284m were arranged to hedge the foreign currency risk on €350m of the euro public notes issued in December 2012, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.2332.

Assuming a 1% appreciation of sterling against the US dollar and the euro, the fair value net gain on the cross currency swaps which hedge part of the currency loan notes would be expected to fall by £7m.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 28 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2013 the nominal value of such contracts was £97m (in respect of US dollar) (2012: £98m) and £37m (in respect of euro) (2012: £73m); their weighted average interest rate was 1.3% (US dollar) (2012: 1.3%) and 2.8% (euro) (2012: 3.2 %), and their weighted average period to maturity was two and a half years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors wanting a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the group was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is Libor + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008, the sterling public notes issued in May 2009, 510m of the euro public notes issued in May 2012 and 380m of the euro public notes issued in December 2012 was kept at fixed rate.

All three public notes have a coupon step up of 1.25% which is triggered should the credit rating of G4S plc fall below investment grade.

The core group borrowings are held in US dollar, euro and sterling. Although the impact of rising interest rates is largely shielded by fixed rate loans and interest rate swaps which provide certainty on the vast majority of the exposure, some interest rate risk remains. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2013 debt position constant throughout 2014, would lead to an expectation of an additional interest charge of £8m in the 2014 financial year.

Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. Commodity swaps and commodity options are used to fix synthetically part of the exposure and reduce the associated cost volatility. Commodity swaps hedging 41 million litres of projected 2014 diesel consumption, 27 million litres of projected 2015 diesel consumption and 9 million litres of projected 2016 diesel consumption were in place at 31 December 2013.

Counterparty credit risk

The group's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. The total mark to market value outstanding with each counterparty is also closely monitored against policy limits assigned to each counterparty. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of BBB+/Baa1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the group's relationship banks, all of which have a strong investment grade rating. At 31 December 2013 the largest two counterparty exposures related to treasury transactions were £29m and £28m and both were held with institutions with a long term Standard & Poor's credit rating of A and A- respectively. These exposures represent 13% and 12% of the carrying values of the treasury transactions, with a fair value gain at the balance sheet date. Both of these banks had significant loan commitments outstanding to G4S plc at 31 December 2013.

The group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of an A+ rated bank. At year end credit balances of £425m were pooled with debit balances of £422m, resulting in a net pool credit balance of £3m. There is legal right of set off under the pooling agreement and an overdraft facility of £3m.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no, or a non-investment grade, rating can be approved as counterparties for a period of up to 12 months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

33. RETIREMENT BENEFIT OBLIGATIONS

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution, multi-employer and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the income statement totalled £99m (2012: £107m).

In the UK, following the closure of the defined benefit schemes to new entrants in 2004, the main scheme for new employees is a contracted-in defined contribution scheme.

G4S Government Solutions, Inc. is the administrator of several defined benefit schemes. G4S Government Solutions, Inc. is responsible for making periodic cost-reimbursable deposits to the various defined benefit schemes as determined by independent actuaries. In each instance, the US Department of Energy ('DOE') acknowledged within the contract entered between the DOE and G4S Government Solutions, Inc. its responsibility for all unfunded pension and benefit liabilities. Therefore, these schemes are accounted for as defined contribution schemes.

Multi-employer arrangement

In the Netherlands, most of the employees are members of the Security Industry Wide Pension Fund (IWPF). This is a career-average defined benefit plan. Pensionable salary is subject to a cap, and minus an offset that reflects social security levels. Withdrawal from the scheme is only possible under certain strict conditions determined by Dutch law and by the pension fund board of the IWPF.

The plan is funded by a premium that is set by the IWPF board in line with the financing rules that state that the premium should cover the cost of the annual accrual of pension benefits. Historically, the premium has been 30% of pensionable salaries and the employer pays 60% of this premium and the employees the remaining 40%.

The financing rules specify that an employer is not obliged to pay any further premiums in respect of previously accrued benefits. This means that in case of insufficient funding, the benefits of participants could, in theory, be reduced. The current solvency ratio is 116.6% (October 2013). The required solvency ratio according to Dutch law is 122% (as at 31 December 2012). Should a surplus appear within the scheme the board will decide if a reduction in premium is possible although this would only be possible at much higher solvency levels.

Premiums paid to the scheme by the group and charged to the income statement in 2013 totalled £8m (2012: £8m). The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2014 in respect of the on-going accrual of benefits is approximately £8m. The premium that the IWPF received in 2013 is not yet available; in 2012 this amounted to €60m of which approximately €8m was paid by the group. The total number of employees in the scheme is approximately 22,000 at the end of 2012. The number of employees working for the group is approximately 5,600 as at 31 October 2013.

The scheme is not accounted for as a defined benefit scheme under IAS 19 'Employee Benefits' as it is not possible to identify the group's share of the scheme's assets and liabilities. As a result, and in line with general practice for such schemes, the scheme is accounted for as if it were a defined contribution scheme under IAS 19.

Defined benefit arrangements

The group operates several funded defined retirement benefit schemes where the benefits are based on employees' length of service. Whilst the group's primary scheme is in the UK, it also operates other material schemes in the Netherlands and Canada and other less material plans elsewhere. Under funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned.

There are also various less material unfunded arrangements; for these the group does not hold related assets separate from the group.

The amounts recognised in income are included within the following categories in the income statement:

Amounts recognised in income	2013 £m	2012 £m
Cost of sales	**(5)**	(5)
Administration expenses	**(2)**	(3)
Net finance costs	**(20)**	(15)
Total for all defined benefit schemes	**(27)**	(23)

The Defined Benefit Obligation (DBO), Assets and balance sheet provisions for defined benefit schemes are as follows:

2013	**DBO £m**	**Assets £m**	**Provision £m**
UK	**(2,011)**	**1,562**	**(449)**
Netherlands	**(111)**	**88**	**(23)**
Other	**(10)**	**10**	**–**
Total for material funded defined benefit schemes	**(2,132)**	**1,660**	**(472)**
Total provision for unfunded and other funded defined benefit schemes			**(32)**
Total provision for all defined benefit schemes			**(504)**

2012	DBO £m	Assets £m	Provision £m
UK	(1,886)	1,474	(412)
Canada*	(34)	28	(6)
Netherlands	(96)	79	(17)
Other	(9)	8	(1)
Total for material funded defined benefit schemes	(2,025)	1,589	(436)
Total provision for unfunded and other funded defined benefit schemes			(35)
Total provision for all defined benefit schemes			(471)

* Liabilities and assets for the Canadian scheme were transferred to 'held for sale' as at 30 June 2013 and the sale of the sponsoring business was completed on 17 January 2014.

UK Defined Benefit Scheme

The defined benefit scheme in the UK accounts for 95% of the net balance sheet liability for material funded defined retirement benefit schemes. It comprises three sections: the Group 4 section which is the pension scheme demerged from the former Group 4 Falck A/S; the Securicor section, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, and the GSL section, responsibility for which the group assumed on 12 May 2008 with the acquisition of GSL.

The UK scheme is closed to future accrual apart from some sub-sections of the GSL section, and for most members defines the pension based on final salary. The GSL section has historically remained open to provide a facility to accept former public-sector employees who join G4S through outsourcings. In the Group 4 and Securicor sections, members retain their link to final salary where appropriate on their benefits accrued up to closure in 2011.

As at the latest actuarial funding valuation, the participants of the UK pension scheme sections can be analysed as follows:

At 5 April 2012	Group 4 section	GSL section	Securicor section	Total
Active participants				
– Number	–	808	–	808
– Average age	N/A	47.1	N/A	47.1
Deferred participants				
– Number	4,390	1,318	9,973	15,681
– Average age	51.5	50.0	51.3	51.2
Pensioner participants				
– Number	3,024	581	8,891	12,496
– Average age	69.9	63.6	71.2	70.5

There is a mix of fixed and inflation-dependent pension increases (in payment and deferment) which vary from member to member according to their membership history and the section of the scheme.

The discounted weighted average duration of the accrued liabilities of the sections are respectively 17 years (Group 4 section), 18 years (GSL section) and 18 years (Securicor section).

The scheme is set up under UK law and governed by a Trustee company which is responsible for the scheme's investments, administration and management. The Board of the Trustee Company is comprised of an independent chairman and further independent, group and scheme membership representatives.

The current schedule of deficit recovery contributions provides for a contribution of approximately £42m during 2014. In addition, the company has pledged a share of any material disposal proceeds to the pension scheme (to be shared in the same proportion as the pension scheme deficit bears to overall group indebtedness) and has agreed that additional contributions would be made in the event that the average annual dividend payment to ordinary shareholders over the three financial years 2013, 2014, 2015 exceeds a certain threshold or in the event that the company makes a significant special dividend payment, (or equivalent capital return), to its ordinary shareholders over the same period.

A funding valuation is carried out for the scheme's Trustee every three years by an independent firm of actuaries. Depending on the outcome of that valuation a schedule of future contributions is negotiated; the group has guaranteed any contributions due from its subsidiaries. The most recent valuation had an effective date of 5 April 2012.

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Other material Defined Benefit Schemes

Apart from the multi-employer scheme referred to above, the group operates two material pension schemes in the Netherlands which apply to different employee populations; they are known as the Securicor Staff and Cash Solutions schemes. Both schemes define pensions in terms of average career pay, are open to new entrants and are funded in accordance with Dutch requirements.

Pension increases in the Securicor Staff scheme are conditional on the funding level and so are only required if there is a funding surplus. The Securicor scheme has a risk sharing arrangement whereby members pay 50% of the cost of the scheme but the group has opted to record 100% of the deficit as a company liability due to uncertainties as to the practicalities of applying the scheme's provisions in this respect; for example in 2012 benefits were reduced rather than increasing members' contributions.

The Cash Solutions scheme is required to provide benefits at least equivalent to the industry-wide multi-employer scheme, and in particular pension increases in payment and deferment, as well as revaluation of active members' rights in the Cash Solutions scheme have to follow the multi-employer scheme (which also applies a conditional approach). The Cash Solutions scheme is insured, so longevity risk on the base level of insured pension (that is before increases) is carried by the insurer, and any bonuses from the insurer's returns may defray the cost of pension increases. Accordingly, there is a counterparty risk against the insurer.

The other material scheme is in Canada; it is a final salary scheme that is closed to new entrants, other than to hourly-paid members in a few specific locations. Most of the benefits are not subject to indexation in payment. The scheme is funded in accordance with Canadian requirements. The sponsoring business is held for sale as at 31 December 2013. It was sold on 17 January 2014 and the entire liabilities and assets of the scheme are now the responsibility of the purchaser.

The discounted weighted average duration of the accrued liabilities of the schemes are respectively 28 years (Netherlands Securicor Staff), 28 years (Netherlands Cash Solutions) and 18 years (Canada).

Expected Contributions

The estimated amounts of contributions expected to be paid to the material schemes during the financial year commencing 1 January 2014 in respect of the ongoing accrual of benefits are approximately £9m (split £6m UK, £3m Netherlands) and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions. Additional contributions of approximately £42m will also be made in 2014 in respect of the deficit in the UK schemes.

Principal Risks

The group's pension schemes create a number of risk exposures. Annual increases on benefits are, to a varying extent from scheme to scheme, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

A key risk is that additional contributions are required if the investment returns fall short of those anticipated when setting the contributions to the pension plans. For the UK funding valuation those assumed investment returns (for funding valuations) are set based on fixed margins over the LIBOR swap curve. The management of the pension fund assets has been delegated to an asset manager which manages the assets against a liability benchmark. The key parameters of this mandate can be summarised as follows:

- An asset mix which is managed dynamically over time rather than a set strategic allocation
- Interest rate and inflation risk is managed with the benchmark of hedging 100% of these risks as a percentage of the asset value through the use of debt instruments (government bonds) and derivatives
- Currency risk is managed with the objective of hedging at least 70% of the overseas currency exposure in the portfolio through the use of forward foreign currency contracts

All pension schemes are regulated by the relevant jurisdictions. These include extensive legislation and regulatory mechanisms that are subject to change and may impact G4S' pension schemes.

Regarding financial reporting measures, the IAS 19 liability measurement (DBO) and the service cost are sensitive to the actuarial assumptions made on a range of demographic and financial matters that are used to project the expected benefit payments, the most important of these assumptions being about future inflation and salary growth levels and the assumptions made about life expectation. The DBO and service cost are also very sensitive to the IAS 19 discount rate, which determines the discounted value of the projected benefit payments. The discount rate depends on market yields on high-quality corporate bonds. Investment strategies are set with funding rather than IAS 19 considerations in mind and do not seek to provide a specific hedge against the IAS 19 measurement of liabilities. As a result the difference between the market value of the assets and the IAS 19 liabilities may be volatile.

Assumptions and sensitivities

The weighted average principal assumptions used for the purposes of the actuarial valuations were as follows:

	UK	Canada	Netherlands
Key assumptions used at 31 December 2013			
Discount rate	**4.4%**	**5.0%**	**3.7%**
Expected rate of salary increases	**3.5%**	**3.0%**	**2.0%**
Pension increases in payment (for the UK, at RPI* with a limit of 5% p.a.)	**3.2%**	**1.4%**	**1.4%**
Inflation	**3.4%**	**2.3%**	**2.0%**
Key assumptions used at 31 December 2012			
Discount rate	4.5%	4.5%	3.7%
Expected rate of salary increases	3.1%	3.0%	2.0%
Pension increases in payment (for the UK, at RPI with a limit of 5% p.a.)	2.9%	1.4%	1.0%
Inflation	3.0%	2.3%	2.0%

* The CPI assumption used for the UK valuation in 2013 was 2.4%.

IAS 19 specifies that pension liabilities should be discounted at appropriate high-quality corporate bond rates. The group considers that it is appropriate to consider AA-rated corporate bonds as high quality and therefore have used discount rates based on yields on such bonds corresponding to the liability profile of the schemes.

The effect of a movement in the discount rate applicable in the UK alters reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below:

Sensitivity analysis	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
Discount rate assumption being 0.5% higher	**(163)**
Discount rate assumption being 0.5% lower	**181**

The effect of a movement in RPI inflation applicable in the UK alters reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below:

Sensitivity analysis	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
Inflation assumption being 0.5% higher	**79**
Inflation assumption being 0.5% lower	**(70)**

The above sensitivities allow for inflation-dependent assumptions such as salary growth and relevant pension increases to vary corresponding to the inflation assumption variation. Due to the caps and floors on pension increases a certain movement in the inflation assumption will not generally result in the same movement in the pension increase assumption.

In addition to the above, the group uses appropriate mortality assumptions when calculating the schemes' obligations. The mortality tables used for the scheme in the UK are: Birth year table S1P[M/F]A Base with future improvements in line with CMI_2013 Core projections, based on a long term improvement rate of 1.25% p.a. and allowing for individual scaling factors based on the majority analysis carried out as part of the last funding valuation.

The resulting assumed life expectancy of a male member of the UK schemes currently aged 65 is between 21 and 22 years, depending on the section of the plan. The assumed life expectancy at 65 of a male currently aged 52 is between 22 and 23 years. At those ages, the assumed life expectancy for a female member is between 2 and 3 years higher than for a male member.

The effect of a one year change in this UK life expectancy assumption is to alter reported liabilities (before associated deferred tax adjustments) by approximately £88m.

The selection of these movements to illustrate the sensitivity of the DBO to key assumptions should not be interpreted as the group expressing any specific view of the probability of such movements happening.

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The amounts recognised on the balance sheet in respect of these defined benefit schemes and the various components of income, OCI and cashflow are as follows:

2013	DBO £m	Assets £m	Total £m
Amounts recognised on the balance sheet at beginning of the period	(2,025)	1,589	(436)
Amounts recognised in income			
Current service cost	(9)	–	(9)
Settlements and past service costs	1	–	1
Interest on obligations and assets	(90)	70	(20)
Administration costs paid from plan assets	–	(2)	(2)
Transfers in	(11)	14	3
Total amounts recognised in income	(109)	82	(27)
Remeasurements			
Actuarial loss – change in financial assumptions	(80)	–	(80)
Actuarial loss – change in demographic assumptions	(22)	–	(22)
Actuarial loss – experience	(4)	–	(4)
Return on assets in excess of interest	–	46	46
Remeasurement effects recognised in OCI	(106)	46	(60)
Cash			
Employer contributions	–	49	49
Employee contributions	(4)	4	–
Benefits paid from plan assets	79	(79)	–
Net cash	75	(26)	49
Other			
Exchange rates	2	1	3
Transfer of Canada scheme to held for sale	31	(32)	(1)
Amounts recognised on the balance sheet at end of the period	(2,132)	1,660	(472)

In 2011 G4S won the managed prisons bid in respect of HMP Birmingham and relevant employees have accrued benefits in the GSL section since 1 October 2011. New employees had the option to transfer accrued pension rights. This occurred as at 1 March 2013 and the effect of this transfer has been presented in the 'Transfers in' line of the above breakdown.

2012	DBO £m	Assets £m	Asset Ceiling £m	Total £m
Amounts recognised on the balance sheet at beginning of the period	(1,825)	1,539	(9)	(295)
Amounts recognised in income				
Current service cost	(7)	–	–	(7)
Settlements and past service costs	2	–	–	2
Interest on obligations and assets	(89)	75	(1)	(15)
Administration costs paid from plan assets	–	(3)	–	(3)
Total amounts recognised in income	(94)	72	(1)	(23)
Remeasurements				
Actuarial loss – change in financial assumptions	(179)	–	–	(179)
Actuarial gain – experience	1	–	–	1
Return on assets in excess of interest	–	1	–	1
Change in effect of asset ceiling in excess of interest	–	–	10	10
Remeasurement effects recognised in OCI	(178)	1	10	(167)
Cash				
Employer contributions	–	47	–	47
Employee contributions	(4)	4	–	–
Benefits paid from plan assets	73	(73)	–	–
Net cash	69	(22)	–	47
Other				
Exchange rates	3	(1)	–	2
Amounts recognised on the balance sheet at end of the period	(2,025)	1,589	–	(436)

The asset ceiling restriction at the beginning of 2012 reflects an inability to derive economic value from an IAS 19 surplus in a scheme in the Netherlands; by 31 December 2012 the scheme was in deficit and no restriction was necessary, and this was still the case at 31 December 2013.

The contribution from sponsoring companies in 2013 included £38m (2012: £37m) of additional contributions in respect of the deficit in the UK schemes.

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The composition of the scheme assets at the reporting date is as follows:

2013	Total £m	Netherlands £m	UK £m
Equity	438	25	413
Bonds	107	44	63
Other	1,105	19	1,086
Total	1,650	88	1,562

2012	Total £m	Canada £m	Netherlands £m	UK £m
Equity	252	16	22	214
Bonds	373	10	38	325
Other	956	2	19	935
Total	1,581	28	79	1,474

A more detailed split of assets of the UK scheme at 31 December 2013 is presented in the table below:

	2013 £m
Equity	367
Private equity	46
Government bonds	63
Credit	274
Property	42
Macro-oriented	296
Multi-strategy	48
Derivatives	15
Cash and cash equivalents	411
	1,562

Within the UK pension fund, the Equity, Credit, Macro-orientated and Multi-strategy sub-categories consist of pooled vehicles investing predominantly in assets with quoted prices in active markets. All government bonds are issued by the UK government and have quoted prices in active markets. Other UK investments are predominantly not quoted.

Derivatives include a range of interest rate and inflation linked swaps, forward currency contracts, equity index total return swaps, equity options, and futures. Investing in interest rate and inflation linked swaps is designed to mitigate the impact of future changes in interest rates and inflation.

None of the pension scheme assets are held in the group's own financial instruments or in any assets held or used by the group.

34. PROVISIONS AND CONTINGENT LIABILITIES

	Employee benefits £m	Restructuring £m	Claims reserves £m	Contract provisions £m	Total £m
At 1 January 2013	14	3	46	11	74
Additional provision in the year	21	68	27	136	252
Utilisation of provision	(6)	(35)	(17)	(2)	(60)
Transfers and reclassifications	–	–	–	(2)	(2)
Translation adjustments	2	(3)	1	–	–
At 31 December 2013	31	33	57	143	264
Included in current liabilities					200
Included in non-current liabilities					64
					264

Employee benefits
The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards and termination indemnity schemes.

The group's net obligation in respect of long-term service benefits other than retirement benefits represents the present value of the future benefit that employees have earned at the balance sheet date, less the fair value of scheme assets out of which the obligations are to be settled directly.

Restructuring
Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term.

Claims reserves
The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey and the US which underwrite part of the group's cash solutions, general liability, workers' compensation and auto liability policies. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain, dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

Contract provisions
Contract provisions include provisions for onerous contracts including future liabilities for loss-making contracts, for all properties sub-let at a shortfall, for the cost of replacing assets where there is a present contractual requirement and for long-term idle, leased properties. Provisions relating to revenue recognition are also included in this category. The provision is based on the value of future net cash outflows. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

On 12 March 2014 the group announced that it had reached agreement with the UK Ministry of Justice (MoJ) on a settlement in respect of claims arising in relation to Electronic Monitoring services provided between 2005 and 2013. The agreement also concluded outstanding matters relating to two UK facilities management contracts.

The total settlement amount was £109m and the group has provided for this amount within contract provisions as at 31 December 2013.

Contingent liabilities
Contingent liabilities exist in respect of agreements entered into in the normal course of business, none of which are individually or collectively significant.

Details of unprovided contingent tax liabilities are presented in note 35.

35. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2013	**104**	**(61)**	**28**	**53**	**124**
(Charge)/credit to the income statement	**(5)**	**20**	**2**	**16**	**33**
Acquisition of subsidiaries	**–**	**(3)**	**–**	**2**	**(1)**
Charge to equity	**–**	**–**	**–**	**(4)**	**(4)**
Translation adjustments	**–**	**2**	**–**	**(4)**	**(2)**
Transfers/other	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2013	**99**	**(42)**	**30**	**60**	**147**
At 1 January 2012	76	(79)	23	45	65
Credit to the income statement	3	27	5	1	36
Acquisition of subsidiaries	–	(9)	–	–	(9)
Credit to equity	25	–	–	3	28
Transfers/other	–	–	–	4	4
At 31 December 2012	104	(61)	28	53	124

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset):

	2013 £m	2012 £m
Deferred tax liabilities	**(47)**	(68)
Deferred tax assets	**184**	179
Net deferred tax asset included in held for sale	**10**	13
Total deferred tax position	**147**	124

At 31 December 2013, the group had unutilised tax losses of approximately £705m (2012: £485m) potentially available for offset against future profits. A deferred tax asset of £30m (2012: £28m) has been recognised in respect of approximately £120m (2012: £106m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £585m (2012: £379m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £15m which will expire between 2014 and 2023. Other losses may be carried forward indefinitely.

At 31 December 2013, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,220m (2012: £1,378m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2013, the group had total unprovided contingent tax liabilities of approximately £58m (2012: £5m) relating to unresolved tax issues in various jurisdictions.

36. SHARE CAPITAL

G4S plc	2013 £	2012 £
Issued and fully paid ordinary shares of 25p each	**387,898,609**	352,667,160

Ordinary shares in issue	2013 Number	2012 Number
At 1 January 2013	**1,410,668,639**	1,410,668,639
New shares issued for cash	**140,925,797**	–
At 31 December 2013	**1,551,594,436**	1,410,668,639

In August 2013 the group issued140,925,797 ordinary shares as a result of the 9.99% placing. The group received gross proceeds of £348m and paid related costs of £5m.

37. OTHER RESERVES

	Hedging reserve £m	Translation reserve £m	Merger reserve £m	Reserve for own shares £m	Total other reserves £m
At 1 January 2013	**(34)**	**50**	**426**	**(20)**	**422**
Total comprehensive income attributable to equity shareholders of parent	**13**	**(109)**	**–**	**–**	**(96)**
Shares issued	**–**	**–**	**308**	**–**	**308**
Own shares awarded	**–**	**–**	**–**	**2**	**2**
At 31 December 2013	**(21)**	**(59)**	**734**	**(18)**	**636**
At 1 January 2012	(26)	110	426	(16)	494
Total comprehensive income attributable to equity shareholders of parent	(8)	(60)	–	–	(68)
Own shares purchased	–	–	–	(6)	(6)
Own shares awarded	–	–	–	2	2
At 31 December 2012	(34)	50	426	(20)	422

Other reserves include:

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in foreign operations (net of tax).

Merger reserve
The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the group in 2004. In 2013 the £308m addition to the merger reserve resulted from the group's 9.99% share placing in August 2013.

Reserve for own shares
An employee benefit trust established by the group held 6,934,564 shares at 31 December 2013 (2012: 7,589,853 shares) to satisfy the vesting of awards under the performance share plan and performance-related schemes. During the year no shares were purchased by the trust, whilst 655,289 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2013, the cost of shares held by the trust was £18,460,753 (2012: £20,207,798), whilst the market value of these shares was £18,203,231 (2012: £19,470,928). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

38. ANALYSIS OF NET DEBT

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

	2013 £m	2012 £m
Cash and cash equivalents	594	469
Investments	39	56
Net cash and overdrafts included within disposal groups classified as held for sale	15	20
Net debt (excluding cash and overdrafts) included within disposal groups classified as held for sale	(17)	10
Bank overdrafts	(22)	(17)
Bank loans	(196)	(345)
Loan notes	(1,982)	(2,039)
Fair value of loan note derivative financial instruments	88	105
Obligations under finance leases	(52)	(61)
Total net debt	(1,533)	(1,802)

An analysis of movements in net debt in the year is presented below:

	2013 £m	2012 £m
Increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	142	138
Sale of investments	(16)	–
Movement in debt and lease financing	174	(302)
Change in net debt resulting from cash flows	300	(164)
Borrowings acquired with subsidiaries	(4)	(1)
Net additions to finance leases	(12)	(21)
Movement in net debt in the year	284	(186)
Translation adjustments	(15)	–
Net debt at the beginning of the year	(1,802)	(1,616)
Net debt at the end of the year	(1,533)	(1,802)

39. OPERATING LEASE ARRANGEMENTS

The group as lessee

As at 31 December 2013, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2013 £m	2012 £m
Within one year	134	133
In the second to fifth years inclusive	290	315
After five years	214	181
Total operating lease commitments	638	629

The group leases a number of its office properties, vehicles and other operating equipment under operating leases. Property leases are negotiated over an average term of eight years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of four years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £12m (2012: £10m).

40. SHARE BASED PAYMENTS

Shares allocated conditionally fall under either the group's performance-related bonus scheme or the group's Performance Share Plan (PSP). Shares allocated conditionally under the performance-related bonus scheme vest three years following the date of grant provided certain non-market performance conditions are met. Those allocated under the PSP vest after three years, to the extent that (a) certain non-market performance conditions are met and (b) certain market performance conditions are met. The proportion of the allocation of awards to these criteria is described in the remuneration report. Vesting occurs after the third anniversary of the date the shares were allocated conditionally. To the extent that the performance criteria have been met and the shares are not forfeited, these shares can only be released upon request after the third anniversary but before the tenth anniversary.

The number of shares allocated conditionally is as follows:

	Performance-related bonus scheme 2013 Number	PSP 2013 Number	Total 2013 Number	Performance-related bonus scheme 2012 Number	PSP 2012 Number	Total 2012 Number
Outstanding at 1 January	812,200	15,589,225	16,401,425	1,068,455	16,102,450	17,170,905
Allocated during the year	58,026	7,385,392	7,443,418	40,652	5,859,439	5,900,091
Transferred during the year	(494,492)	(161,948)	(656,440)	(296,907)	(613,518)	(910,425)
Forfeited during the year	–	(2,546,129)	(2,546,129)	–	(727,959)	(727,959)
Expired during the year	–	(4,232,718)	(4,232,718)	–	(5,031,187)	(5,031,187)
Outstanding at 31 December	375,734	16,033,822	16,409,556	812,200	15,589,225	16,401,425

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2013 was 16 months (2012: 16 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 291.7p (2012: 277.1p) and the contractual life of all conditional allocations was three years.

Under the PSP, the vesting of half (2012: half) of the shares allocated conditionally depends upon Total Shareholder Return (a market performance condition) over the performance period measured against a comparator group. 25% of the allocation vests upon the group's Total Shareholder Return equalling median performance amongst the comparator group. The fair value of the shares allocated subject to this market performance condition has therefore been reduced by 75%.

The income statement is charged with an estimate for the vesting of shares conditionally awarded subject to non-market performance conditions. The charge for 2013 was £nil (2012: £nil).

41. RELATED PARTY TRANSACTIONS

Transactions and balances with joint ventures and associated undertakings
Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

Transactions with joint ventures included revenue recorded of £28m (2012: £30m). Amounts due to related parties include £2m (2012: £1m) to joint ventures and £2m (2012: £2m) to associates. Amounts due from related parties include £4m (2012: £4m) from joint ventures and £1m (2012: £2m) from associates.

No expense has been recognised in the year for bad and doubtful debts in respect of amounts owed by related parties. Details of principal joint ventures are shown in note 21.

The group has a legal interest in a number of joint ventures and joint arrangements, where the economic interest was divested by the Global Solutions Group prior to its acquisition by G4S plc in 2008. Transactions with these entities during the year comprised:

	Services/ sales to 2013 £m	Services/ sales to 2012 £m
White Horse Education Partnership Limited	2	2
Integrated Accommodation Services plc	39	44
Fazakerley Prison Services Limited	33	34
Onley Prison Services Limited	14	14
ECD Cookham Wood Limited	12	13
ECD Onley Limited	13	13
Stratus Integrated Services Limited	8	7
UK Court Services (Manchester) Limited	2	2
East London Lift Company Limited	1	1
Total	124	130

Transactions with post-employment benefit schemes
Details of transactions with the group's post-employment benefit schemes are provided in note 33. Unpaid contributions owed to schemes amounted to £0.5m at 31 December 2013 (2012: £0.5m).

Transactions with other related parties
In the normal course of the group's business the group provides services to and receives services from certain non-controlling interests on an arm's length basis.

Remuneration of key management personnel
The group's key management personnel are deemed to be the non-executive directors and those individuals, including the executive directors, whose remuneration is determined by the Remuneration Committee. Their remuneration is set out below. Further information about the remuneration of individual directors included within key management personnel is provided in the audited part of the Directors' Remuneration Report on pages 64 to 79.

	2013 £	2012 £
Short-term employee benefits	10,887,469	7,253,734
Post-employment benefits	217,937	104,212
Other long-term benefits	56,682	41,819
Share-based payment	931,197	132,289
Total	12,093,285	7,532,054

42. EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, the group sold its cash solutions business in Canada and its remaining business in Norway for total proceeds of £89m.

No other significant post-balance sheet events have affected the group since 31 December 2013.

43. SIGNIFICANT INVESTMENTS

The companies listed below are those which were part of the group at 31 December 2013 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole. A comprehensive list of all subsidiaries will be disclosed as an appendix to the group's annual return.

The principal activities of the companies listed below are indicated according to the following key:

Secure solutions	S
Cash solutions	C

These businesses operate principally in the country in which they are incorporated.

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
G4S Soluciones de Seguridad S.A.	S	Argentina	75%
G4S Australia Pty Limited	S	Australia	100%
G4S Custodial Services Pty Limited	S	Australia	100%
G4S Secure Solutions AG (Austria)	S	Austria	100%
G4S Secure Solutions SA/NV	S	Belgium	100%
G4S Cash Solutions (Belgium) NV	C	Belgium	100%
G4S Interativa Service Ltda	S	Brazil	100%
Vanguarda Segurança e Vigilância Ltda	S	Brazil	100%
G4S Cash Solutions (Canada) Limited	C	Canada	100%
G4S Secure Solutions (Canada) Limited	S	Canada	100%
G4S Security Services Regiones S.A.	S	Chile	100%
G4S Secure Solutions Colombia S.A.	S+C	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Aviation Services (UK) Limited	S	England	100%
G4S Care and Justice Services (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Solutions (UK) Limited	C	England	100%
G4S Integrated Services (UK) Limited	S	England	100%
G4S Risk Management Limited	S	England	100%
G4S Secure Solutions (UK) Limited	S	England	100%
G4S Security Services (UK) Limited	S	England	100%
G4S Utility and Outsourcing Service (UK) Limited	S	England	100%
AS G4S Baltics	S+C	Estonia	100%
G4S Security Services Oy	S	Finland	100%
G4S Keszpenzlogisztikai Kft	C	Hungary	100%
G4S Secure Solutions (India) Pvt. Limited[1, 5]	S	India	49%
G4S Secure Solutions (Ire) Limited	S	Ireland	100%
G4S Secure Solutions (Israel) Limited	S	Israel	92%
G4S Security Technologies (Israel) Limited	S	Israel	92%
G4S Kenya Limited	S+C	Kenya	100%
Al Mulla Security Services Co. WLL[5]	S+C	Kuwait	49%
G4S Security Solutions S.A.R.L	S+C	Luxembourg	100%
Safeguards G4S Sdn Bhd[2, 5]	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
G4S Beheer BV	S	Netherlands	100%
G4S Secure Solutions AS	S	Norway	100%
G4S Peru S.A.C.	S+C	Peru	100%
G4S Qatar SPC[5]	S+C	Qatar	0%
al Majal Service Master Co. Limited[5]	S	Saudi Arabia	49%
Mohammed Bin Abdoud Al Amoudi Co. for Civilian Security Services Partnership (Almajal)[5]	S+C	Saudi Arabia	0%
G4S Cash Solutions (SA) (Pty) Limited	C	South Africa	75%
G4S Secure Solutions (SA) (Pty) Limited	S	South Africa	74%
G4S Secure Solutions AB	S	Sweden	100%
G4S Secure Solutions (Thailand) Limited	S	Thailand	100%
Group 4 Securicor Security Services UAE (LLC) G4S[5]	S+C	UAE	49%
G4S Government Solutions, Inc.	S	USA	100%
G4S Integrated Services, Inc.	S	USA	100%
G4S Secure Solutions (USA) Inc.	S	USA	100%
G4S Technology LLC	S	USA	100%
G4S Youth Services LLC	S	USA	100%
Joint ventures (see note 21)			
Bridgend Custodial Services Limited[3]	S	England	59%
Bloemfontein Correctional Contracts (Pty) Limited[4]	S	South Africa	20%
Policity Limited	S	Israel	46%
Associated undertakings			
Space Gateway Support LLC	S	USA	46%

1 G4S Secure Solutions (India) Pvt. Limited has a year end of 31 March.

2 Safeguards G4S Sdn Bhd has a year end of 30 June.

3 Bridgend Custodial Services Limited has a year end of 30 September.

4 Bloemfontein Correctional Contracts (Pty) Limited has a year end of 30 September.

5 By virtue of shareholder agreements, options, pre-emption rights and other contractual arrangements, the group has the power to govern the financial and operating policies, so as to obtain the benefits from the activities of these companies. These are therefore consolidated as full subsidiaries.

Parent company balance sheet
At 31 December 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Intangible assets	(b)	11	16
Investments	(c)	3,055	3,051
		3,066	3,067
Current assets			
Debtors	(d)	2,992	2,930
Cash at bank and in hand		56	9
		3,048	2,939
Creditors – amounts falling due within one year			
Bank overdraft(unsecured)		(5)	(9)
Borrowings(unsecured)	(e)	(61)	(40)
Other creditors	(f)	(2,856)	(2,851)
		(2,922)	(2,900)
Net current assets		126	39
Total assets less current liabilities		3,192	3,106
Creditors – amounts falling due after more than one year			
Borrowings(unsecured)	(e)	(1,040)	(1,174)
Other creditors	(f)	–	(2)
		(1,040)	(1,176)
Net assets		2,152	1,930
Capital and reserves			
Called up share capital	36	388	353
Share premium and reserves	(i)	1,764	1,577
Equity shareholders' funds		2,152	1,930

The parent company financial statements were approved by the board of directors and authorised for issue on 31 March 2014.

They were signed on its behalf by:

Ashley Almanza
Director

Himanshu Raja
Director

Parent company reconciliation of movements in equity shareholders' funds
For the year ended 31 December 2013

	2013 £m	2012 £m
Retained profit for the year	15	24
Changes in fair value of hedging derivatives	(8)	(6)
Shares issued	343	–
Dividends declared	(130)	(120)
Own shares purchased	–	(6)
Tax on equity movements	2	2
Net increase/(decrease) in shareholders' funds	222	(106)
Opening equity shareholders' funds	1,930	2,036
Closing equity shareholders' funds	2,152	1,930

(A) SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with applicable United Kingdom Accounting Standards (UK GAAP).

The financial statements have been prepared under the going concern basis.

Exemptions

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The cash flows of the company are included within its consolidated financial statements.

The company is also exempt under the terms of the revised FRS 8 'Related Party Disclosures' from disclosing related party transactions with wholly owned subsidiaries within the group.

Intangible fixed assets

Intangible fixed assets are stated at cost net of accumulated amortisation and any provision for impairment. Intangible fixed assets are amortised on a straight-line basis over their expected economic life. Software is amortised over periods up to a maximum of eight years.

Fixed asset investments

Fixed asset investments, which comprise investments in subsidiary undertakings, are stated at cost less amounts written off.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

External debtors

Debtors do not carry interest and are stated initially at their fair value. The company provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.

Cash at bank and in hand and bank overdrafts

Cash at bank and in hand and bank overdrafts comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the profit and loss account on an accrual basis using the effective interest method.

External creditors

Creditors are not interest-bearing and are stated initially at their fair value.

Amounts owed to/from subsidiary undertakings

Amounts owed to/from subsidiary undertakings bear interest at prevailing market rates.

Equity instruments

Equity instruments issued by the company are recorded at the value of proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

In accordance with its treasury policy, the company only holds or issues derivative financial instruments to manage the group's exposure to financial risk, not for trading purposes. Such financial risk includes the interest risk on the group's variable-rate borrowings, the fair value risk on the group's fixed-rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The company manages these risks through a range of derivative financial instruments, including interest rate swaps, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the balance sheet as financial assets or liabilities at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account, unless they qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below:

Fair value hedge

The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the profit and loss account.

Cash flow hedge

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the profit and loss account when the hedged cash flow impacts the profit and loss account. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the profit and loss account.

Foreign currencies

The financial statements of the company are presented in sterling, its functional currency. Transactions in currencies other than sterling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Pensions

The company participates in multi-employer pension schemes in the UK, which provide benefits based on final pensionable pay. The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. In accordance with FRS 17 'Retirement Benefits', the company treats the schemes as if they were defined contribution schemes and recognises charges as and when contributions are due to the scheme. Details of the schemes are included in note 33 to the consolidated financial statements.

Share-based payments

The company grants equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

Developments expected in future accounting periods

The new UK financial reporting framework which comes into effect for accounting periods beginning on or after 1 January 2015 consists of three new standards; FRS 100 'Application of Financial Reporting Standards' sets out the application of financial reporting requirements in the UK and Republic of Ireland, FRS 101 'Reduced Disclosure Framework' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS and FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' is the new 'UK GAAP' which replaces all previous SSAPs and FRSs in one standard. A full analysis is currently being undertaken to identify the most appropriate option.

Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid. Dividends proposed but not declared are not recognised but are disclosed in the notes to the consolidated financial statements.

Financial guarantees

The company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group. The company considers these to be insurance arrangements and accounts for them as such. The company therefore treats such contracts as a contingent liability unless and until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Own shares held by employee benefit trust

Transactions of the company-sponsored employee benefit trust are included in the parent company financial statements. In particular, the trust's purchases of shares in the company are debited directly to equity.

(B) INTANGIBLE FIXED ASSETS

	Software £m
Cost	
At 1 January 2013	17
Additions	3
Disposals	(7)
At 31 December 2013	13
Amortisation	
At 1 January 2013	(1)
Amortisation charge	(2)
Disposals	1
At 31 December 2013	(2)
Net book value	
At 1 January 2013	16
At 31 December 2013	**11**

(C) FIXED ASSET INVESTMENTS

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	Total £m
Shares at cost:	
At 1 January 2013	3,051
Additions	13
Impairments	(9)
At 31 December 2013	**3,055**

The impairment within the carrying value of investments in the year is primarily due to a reduction in the net asset value of certain subsidiary undertakings.

Full details of significant investments held by the parent company and the group are detailed in note 43 to the consolidated financial statements.

(D) DEBTORS

	2013 £m	2012 £m
Amounts owed by group undertakings	**2,918**	2,828
Other debtors	**8**	–
Derivative financial instruments at fair value	**66**	102
Total debtors	**2,992**	2,930

Included within derivative financial instruments at fair value is £52m due after more than one year (2012: £77m). See note (g) for further details.

Included in other debtors is £1m (2012: £nil) with regard to deferred tax comprised as follows:

	2013 £m	2012 £m
Changes in fair value of hedging derivatives	**1**	–
Total deferred tax	**1**	–

The reconciliation of deferred tax balances is as follows:

	Total £m
At 1 January 2013	**–**
Charged to equity in relation to changes in fair value of hedging derivatives	**1**
At 31 December 2013	**1**

(E) BORROWINGS (UNSECURED)

The unsecured borrowings are in the following currencies:

	2013 £m	2012 £m
Sterling	**419**	419
Euro	**37**	73
US dollar	**645**	722
Total unsecured borrowings	**1,101**	1,214

The payment profile of the unsecured borrowings is as follows:

	2013 £m	2012 £m
Repayable within one year	**61**	40
Repayable within two to five years	**469**	402
Repayable after five years	**571**	772
Total unsecured borrowings	**1,101**	1,214

Undrawn committed facilities mature as follows:

	2013 £m	2012 £m
Within two to five years	**965**	856
Total undrawn committed facilities	**965**	856

Borrowings consist of £37m of floating rate bank loans (2012: £73m) and £1,064m of fixed rate loan notes (2012: £1,144m). Bank overdrafts, bank loans, loan notes issued in July 2008 and May 2009 are stated at amortised cost. The loan notes issued in March 2007 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship. The directors believe the fair value of the company's bank overdrafts, bank loans and the loan notes issued in March 2007, calculated from market prices, approximates to their book value. US$200m (£121m) of the loan notes issued in July 2008 have a fair value market gain of £21m (2012: £31m). The fair value of the remaining notes approximates to their book value.

Borrowing at floating rates exposes the company to cash flow interest rate risk. The management of this risk is detailed in note (h).

There were no financial liabilities upon which no interest is paid.

(F) OTHER CREDITORS

	2013 £m	2012 £m
Amounts falling due within one year:		
Amounts owed to group undertakings	**2,821**	2,817
Other taxation and social security costs	**4**	1
Other creditors	**1**	–
Accruals and deferred income	**29**	31
Derivative financial instruments at fair value	**1**	2
Total creditors - amounts falling due within one year	**2,856**	2,851
Amounts falling due after more than one year:		
Derivative financial instruments at fair value	**–**	2

(G) DERIVATIVE FINANCIAL INSTRUMENTS

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Cross currency swaps designated as cash flow hedges	**21**	31	**–**	–
Interest rate swaps designated as cash flow hedges	**–**	–	**1**	3
Interest rate swaps designated as fair value hedges	**45**	70	**–**	–
Commodity swaps	**–**	1	**–**	1
	66	102	**1**	4
Less: Amounts falling due after more than one year	**(52)**	(77)	**–**	(2)
Amounts falling due within one year	**14**	25	**1**	2

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The mark to market valuation of the derivatives has decreased by £33m (2012: decrease £12m) during the year.

The interest rate, cross currency and commodity swaps treated as cash flow hedges have the following maturities:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Within one year	**–**	9	**1**	2
In the second year	**15**	–	**–**	2
In the third year	**–**	–	**–**	–
In the fourth year	**–**	17	**–**	–
In the fifth year or greater	**6**	6	**–**	–
Total carrying value	**21**	32	**1**	4

Projected settlement of cash flows (including accrued interest) associated with derivatives:

	Assets 2013 £m	Assets 2012 £m	**Liabilities 2013 £m**	Liabilities 2012 £m
Within one year	**–**	7	**1**	2
In the second year	**16**	2	**–**	2
In the third year	**–**	–	**–**	–
In the fourth year	**–**	17	**–**	–
In the fifth year or greater	**5**	6	**–**	–
Total cash flows	**21**	32	**1**	4

(H) FINANCIAL RISK

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated financial statements in sterling and as a consequence is subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company together with G4S International Finance plc hedges a substantial portion of the group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies. Translation adjustments arising on the translation of foreign currency loans are recognised in the profit and loss account.

Cross currency swaps with a nominal value of £101m were arranged to hedge the foreign currency risk on US$200m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value on this portion of debt at an exchange rate of 1.9750.

Assuming a 1% appreciation of sterling against the US dollar, the fair value net gain on the cross currency swaps which hedge part of the currency loan notes would be expected to fall by £1m.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 28 to the consolidated financial statements exposes the group to cash flow interest rate risk, which the company manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2013 the nominal value of such contracts was £nil (in respect of US dollar) (2012: £nil) and £37m (in respect of euro) (2012: £73m), their weighted average interest rate was nil% (US dollar) (2012: nil%) and 2.8% (euro) (2012: 3.2%), and their weighted average period to maturity was twelve months. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity. The quantity of interest rate swaps outstanding in the company is expected to continue to decline as Treasury activity is increasingly conducted by G4S International Finance plc.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the company was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is Libor + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008 and on the sterling Public Bond issued in May 2009 was kept at fixed rate.

The core company borrowings are held in US dollar, euro and sterling. Although the impact of rising interest rates is largely shielded by fixed rate loans and interest rate swaps which fix a portion of the exposure, some interest rate risk remains. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2013 debt position constant throughout 2014, would lead to an expectation of an additional interest charge of £3m in the 2014 financial year.

Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. The company acts as a market intermediary, arranging commodity swaps and commodity options with its relationship banks with back to back deals on identical terms with its subsidiaries to fix synthetically part of the exposure and reduce the associated cost volatility.

Counterparty credit risk

The company's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. The total mark to market value outstanding with each counterparty is closely monitored against policy limits assigned to each counterparty. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of BBB+/Baa1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the company's relationship banks, all of which have a strong investment grade rating. At 31 December 2013 the largest two counterparty exposures relating to treasury transactions were £28m and £20m and both were held with institutions with long-term Standard & Poor's credit ratings of A- and A respectively. These exposures represent 42% (2012: 37%) and 30% (2012: 29%) of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date. Both of these banks had significant loan commitments outstanding to G4S plc at 31 December 2013.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an Aa3 rated bank. There is legal right of set off under the pooling agreement.

(I) SHARE PREMIUM AND RESERVES

	Share premium £m	Merger reserve £m	Profit and loss account £m	Own shares £m	Total £m
At 1 January 2013	258	–	1,339	(20)	1,577
Retained profit	–	–	15	–	15
Changes in fair value of hedging derivatives	–	–	(8)	–	(8)
Shares issued	–	308	–	–	308
Dividends declared	–	–	(130)	–	(130)
Own shares awarded	–	–	(2)	2	–
Tax on equity movements	–	–	2	–	2
At 31 December 2013	**258**	**308**	**1,216**	**(18)**	**1,764**

In 2013 the £308m addition to the merger reserve resulted from the group's 9.99% share placement in August 2013.

(J) AUDITOR'S REMUNERATION

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in its individual accounts because the company's consolidated financial statements are required to disclose such fees on a consolidated basis.

(K) SHARE-BASED PAYMENTS

The group has one type of equity-settled, share-based payment scheme in place being the conditional allocations of G4S plc shares. An employee benefit trust established by the group holds shares to satisfy the vesting of conditional allocation awards. Reserve for own share disclosures relevant to the company are presented within note 37 to the consolidated financial statements. Share-based payments disclosures relevant to the company are presented within note 40 to the consolidated financial statements.

(L) RELATED PARTY TRANSACTIONS

Certain disclosures relevant to the company are presented within note 41 to the consolidated financial statements. Company transactions with group undertakings primarily consist of royalty charges, central service charges, group insurance recharges and loan transactions.

There were no material transactions with non-wholly owned group undertakings in 2013 (2012: none).

(M) CONTINGENT LIABILITIES

To help secure cost effective finance facilities for its subsidiaries, the company issues guarantees to some of its finance providers. At 31 December 2013 guarantees totalling £479m (2012: £493m) were in place in support of such facilities.

The company also guarantees the debt obligations of G4S International Finance plc. At 31 December 2013 contingent liabilities of £1,012m (2012: £1,061m) were outstanding in support of such debt obligations.

The company is included in a group registration for UK VAT purposes and is therefore jointly and severally liable for all other UK group companies' unpaid debts in this connection. The liability of the UK group registration at 31 December 2013 totalled £17m (2012: £19m).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. If you have sold or otherwise transferred all your shares in G4S plc, please send this notice and the accompanying documents to the person through whom the sale or transfer was effected so that it can be passed on to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of G4S plc will be held at The Platinum Suite, ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL on Thursday, 5 June 2014 at 2.00 pm in order to consider and, if thought fit, to pass the following Resolutions:

Resolutions 1 to 19 and Resolution 22 will be proposed as ordinary resolutions. Resolutions 20, 21 and 23 will be proposed as special resolutions.

REPORT AND ACCOUNTS

1. To receive the financial statements of the company for the year ended 31 December 2013 and the reports of the directors and auditor thereon.

REMUNERATION

2. To approve the Directors' Remuneration Policy as set out in the Directors' remuneration report in the company's annual report and accounts for the year ended 31 December 2013.
3. To approve the Directors' remuneration report, other than the part containing the Director's Remuneration Policy, as set out in the company's annual report and accounts for the year ended 31 December 2013.
4. That the rules of the G4S Long Term Incentive Plan ("LTIP"), in the form produced at the Annual General Meeting and initialled by the chairman of the meeting for the purposes of identification (a summary of which is set out in the appendix to the explanatory notes to this Notice of Meeting) be and are hereby approved; and that the directors be and are hereby authorised to:

   (a) adopt the LTIP and to do all such other acts and things as they may consider appropriate to implement the LTIP; and

   (b) establish further plans based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the LTIP.

DIVIDEND

5. To declare a final dividend for the year ended 31 December 2013 of 5.54p (DKK 0.4954) for each ordinary share in the capital of the company.

DIRECTORS

6. To elect Himanshu Raja as a director.
7. To re-elect Ashley Almanza as a director.
8. To re-elect John Connolly as a director.
9. To re-elect Adam Crozier as a director.
10. To re-elect Mark Elliott as a director
11. To re-elect Winnie Kin Wah Fok as a director.
12. To re-elect Grahame Gibson as a director.
13. To re-elect Mark Seligman as a director.
14. To re-elect Paul Spence as a director.
15. To re-elect Clare Spottiswoode as a director
16. To re-elect Tim Weller as a director.

AUDITOR

17. To re-appoint KPMG Audit Plc as auditor of the company to hold office until the conclusion of the next Annual General Meeting of the company.
18. To authorise the directors to determine the remuneration of the auditor.

DIRECTORS' AUTHORITY TO ALLOT

19. That the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the" Act") to exercise all the powers of the company to allot shares in the company or grant rights to subscribe for, or convert any security into, shares in the company:

   (i) up to an aggregate nominal amount of £129,299,000; and

   (ii) comprising equity securities (as defined in section 560 of the Act) up to a further aggregate nominal amount of £129,299,000 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

   provided that this authority shall expire on the date of the next Annual General Meeting of the company, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexpired authorities granted previously to the directors to allot relevant securities under section 551 of the Act shall cease to have effect at the conclusion of this Annual General Meeting (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this Resolution which would or might require shares to be allotted or rights to be granted on or after that date).
20. That the directors be and are hereby empowered, pursuant to section 570 of the Act, subject to the passing of Resolution 19 above, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 19 above as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (i) the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under paragraph (ii) of Resolution 19 above, by way of rights issue only) to or in favour of the holders of shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the shareholders are proportionate (as nearly as may be practicable) to the respective numbers of shares held by them on any such record date(s), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

   (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities pursuant to the authority granted under Resolution 19(i) above up to an maximum nominal amount of £19,394,000;

and shall expire on the expiry of the authority conferred by Resolution 19 above unless previously renewed, varied or revoked by the company in general meeting, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors shall be entitled to allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

All previous unutilised authorities under section 570 of the Act shall cease to have effect at the conclusion of this Annual General Meeting.

AUTHORITY TO PURCHASE OWN SHARES

21. That the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company on such terms and in such manner as the directors may from time to time determine, provided that:

    (i) the maximum number of such shares which may be purchased is 155,159,000;

    (ii) the minimum price which may be paid for each such share is 25p (exclusive of all expenses);

    (iii) the maximum price which may be paid for each such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of expenses); and

    (iv) this authority shall, unless previously revoked or varied, expire at the conclusion of the Annual General Meeting of the company to be held in 2015 (except in relation to the purchase of such shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry).

AUTHORITY TO MAKE POLITICAL DONATIONS

22. That in accordance with sections 366 and 367 of the Act, the company and all companies which are subsidiaries of the company during the period when this Resolution 20 has effect be and are hereby unconditionally authorised to:

    (i) make political donations to political parties or independent election candidates not exceeding £50,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and

    (iii) incur political expenditure not exceeding £50,000 in total;

(as such terms are defined in the Act) during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the next Annual General Meeting of the company provided that the authorised sum referred to in paragraphs (i), (ii) and (iii) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day in which the company enters into any contract or undertaking in relation to the same.

NOTICE PERIOD FOR GENERAL MEETINGS OTHER THAN AGMS

23. That a general meeting of the company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the board

Peter David
Company Secretary

31 March 2014

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN
Company No. 4992207

Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

2. Details of how to appoint a proxy are set out in the notes to the enclosed proxy form. In order to be valid an appointment of proxy must be returned with any power of attorney or any other authority under which it is executed, by one of the following methods: in hard copy form by post to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; in hard copy form to that address by courier or by hand during usual business hours; or, in the case of CREST members, by utilising the CREST electronic proxy appointment service as described in paragraphs 8 and 9 below. In each case the form of proxy must be received by the company no later than 2.00pm on 3 June 2014. To change your proxy instructions you may return a new proxy appointment using the method set out above. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Persons listed on the VP Securities register should follow the instructions on their Voting Request Form.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the company of the votes they may cast), shareholders must be registered in the Register of Members of the company at 5.30 pm on 3 June 2014 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. As at 28 March 2014 (being the latest practicable date prior to the publication of this Notice) the company's issued share capital consisted of 1,551,594,436 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 28 March 2014 was 1,551,594,436.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 2.00 pm on 3 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Voting on all Resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are to be counted according to the number of shares held. As soon as practicable following the Annual General Meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and also placed on the company's website: www.g4s.com.
13. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under section 527 of the Act to publish on a website.
15. Any shareholder attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
16. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the company (i) to give, to members of the company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the company not later than 23 April 2014, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
17. A copy of this notice, and other information required by section 311A of the Act, can be found at www.g4s.com
18. The rules of the new G4S Long Term Incentive Plan (see Resolution 4 above, paragraph 2 of the explanatory notes below and the summary of the rules set out in the appendix to the explanatory notes below) will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG and will be available at the place of the meeting from 15 minutes before the start of the meeting until its conclusion.
19. Any electronic address or web site address is provided in this Notice of Meeting solely for the purpose stated expressly herein and may not be used to communicate with the company other than for such purpose. Notwithstanding any telephone number, fax number or email address that appears on this document or elsewhere, neither the company nor Capita Asset Services will accept voting instructions received via media other than post or by CREST Proxy Instruction in accordance with the notes above.

The board of G4S plc considers that the Resolutions set out in the Notice of Annual General Meeting are likely to promote the success of the company and are in the best interests of the company and its shareholders as a whole. The directors unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings.

Explanatory notes in relation to the business to be conducted at the Annual General Meeting are set out below.

1. FINANCIAL STATEMENTS OF THE COMPANY (RESOLUTION 1)

The chairman will present the financial statements of the company for the year ended 31 December 2013 and the reports of the directors and auditor thereon to the Annual General Meeting.

2. REMUNERATION (RESOLUTIONS 2 TO 4)

Changes made to the Companies Act 2006 (the "Act") have resulted in new requirements this year both for the content of the Directors' remuneration report (the "Report") and its approval. Accordingly the Report, which is set out on pages 64 to 79, contains:

- A statement by Mark Elliott, chairman of the company's Remuneration Committee;
- The directors' remuneration policy in relation to future payments to the directors and former directors; and
- The annual implementation report on remuneration, which sets out payments made in the financial year ending 31 December 2013.

The policy part of the Report, which sets out the company's forward looking policy on directors' remuneration (including the approach to exit payments to directors), is subject to a binding shareholder vote by ordinary resolution at least every three years. The statement by the Remuneration Committee chairman and the annual implementation report on remuneration will, as in the past, be put to an annual advisory shareholder vote by ordinary resolution.

Resolution 2 is therefore the ordinary resolution to approve the directors' remuneration policy which is set out within the Report on pages 66 to 72. As noted on page 64, the directors' remuneration policy will commence on 6 June 2014. Payments will continue to be made to directors and former directors (in their capacity as directors) in accordance with existing contractual arrangements until this date.

Once the directors' remuneration policy commences, all payments by the company to the directors and any former directors must be made in accordance with the policy (unless the payment is separately approved by shareholder resolution).

If the directors' remuneration policy is approved and remains unchanged, it will be valid for up to three financial years without a new shareholder approval. If the company wishes to change the policy, it will need to put the revised policy to a vote again before it can implement the new policy.

If the directors' remuneration policy is not approved, the company will, if and to the extent permitted by the Act, continue to make payments to directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as practicable.

Resolution 3 is the resolution to approve the directors' remuneration report, other than the part containing the directors' remuneration policy. This is an advisory resolution and does not affect the future remuneration paid to any director.

Resolution 4 relates to the Long Term Incentive Plan ("LTIP") which the company proposes to introduce to replace the Performance Share Plan which was adopted by the Board in July 2004 and will expire in July 2014. In order to ensure executives continue to be incentivised to deliver the group's strategy over the longer term, the Remuneration Committee has concluded that a replacement long term incentive plan should be introduced and, having consulted widely, has set revised performance measures, including the introduction of average operating cash flow as a third measure. The principal terms of the LTIP are set out in the appendix to these explanatory notes on pages 156 and 157. This ordinary resolution seeks shareholder approval of the LTIP. The full rules will be available for inspection during the hours and at the locations set out in note 18 to the Notice of Meeting.

3. FINAL DIVIDEND (RESOLUTION 5)

A final dividend of 5.54p (DKK 0.4954) per ordinary share for the year ended 31 December 2013 is recommended for payment by the directors. If the recommended final dividend is approved, it will be paid on Friday 13 June 2014 to all ordinary shareholders who were on the register of members at the close of business on 2 May 2014.

4. ELECTION AND RE-ELECTION OF DIRECTORS (RESOLUTIONS 6 TO 16)

Resolution 6 deals with the election of Mr Raja as a director as he was appointed since the company's last Annual General Meeting and, in accordance with the company's articles of association, he will retire and stand for election.

Resolutions 7 to 16 deal with the re-election of the other directors in accordance with the requirements of the UK Corporate Governance Code which provides for all directors of FTSE 350 companies to be subject to re-election by shareholders every year.

Biographies of each of the directors seeking election or re-election are set out on pages 48 and 49. The board has confirmed following a performance review that all directors standing for re-election continue to perform effectively and demonstrate commitment to their roles.

5. REAPPOINTMENT OF AUDITOR AND AUDITOR'S REMUNERATION (RESOLUTIONS 17 AND 18)

Resolution 17 relates to the reappointment of KPMG Audit Plc as the company's auditor to hold office until the next Annual General Meeting of the company.

Resolution 18 authorises the directors to set the auditor's remuneration.

6. AUTHORITY TO ALLOT SHARES (RESOLUTION 19)

Resolution 19 seeks shareholder approval for the directors to be authorised to allot shares.

At the last Annual General Meeting of the company held on 6 June 2013, the directors were given authority to allot ordinary shares in the capital of the company up to a maximum nominal amount of £235,110,000. This authority expires at the end of this year's Annual General Meeting. Of this amount 470,220,000 shares could only be allotted pursuant to a rights issue.

Resolution 19 will, if passed, renew this authority to allot on the same terms as last year's resolution (save that the number of shares in question has increased). The board considers it appropriate that the directors be granted the same authority to allot shares in the capital of the company up to a maximum nominal amount of £258,598,000 representing a little under two thirds of the company's issued ordinary share capital as at 28 March 2014 (the latest practicable date prior to publication of the Notice of Annual General Meeting). Of this amount, 517,196,000 shares (representing a little under one third of the company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The authority will last until the conclusion of the next Annual General Meeting in 2015.

The directors do not have any present intention of exercising this authority. In accordance with best practice, if the directors were to exercise this authority so as to allot shares representing more than one third of the current capital of the company, they would all offer themselves for re-election at the following Annual General Meeting, although it is the directors' current intention to stand for election annually in any event in accordance with the requirements of the UK Corporate Governance Code.

As at the date of the Notice of Annual General Meeting, the company does not hold any ordinary shares in the capital of the company in treasury. However, the 6,934,564 shares held within the G4S Employee Benefit Trust and referred to on page 137 (note 37 to the consolidated financial statements) are accounted for as treasury shares.

7. DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS (RESOLUTION 20)

Resolution 20 seeks shareholder approval to give the directors authority to allot shares in the capital of the company pursuant to the authority granted under Resolution 19 for cash without complying with the pre-emption rights in the Companies Act 2006 (the "Act") in certain circumstances. This authority will permit the directors to allot:

(a) shares up to a nominal amount of £258,598,000 (representing a little under two thirds of the company's issued share capital) on an offer to existing shareholders. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £129,299,000 (representing a little under one third of the company's issued share capital) (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the directors see fit); and

(b) shares up to a maximum nominal value of £19,394,000, representing approximately 5% of the issued ordinary share capital of the company as at 28 March 2014 (the latest practicable date prior to publication of the Notice of Annual General Meeting) otherwise than in connection with an offer to existing shareholders.

As with Resolution 19, the terms of Resolution 20 are the same as last year's resolution (save that the number of shares in question has increased).

The directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the relevant company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

The authority contained in Resolution 20 will expire upon the expiry of the general authority conferred by Resolution 19 (i.e. at the end of the next Annual General Meeting of the company).

8. PURCHASE OF OWN SHARES (RESOLUTION 21)

Resolution 21 seeks to renew the company's authority to buy back its own ordinary shares in the market as permitted by the Act. The authority limits the number of shares that could be purchased to a maximum of 155,159,000 (representing a little less than 10% of the company's issued ordinary share capital as at 28 March 2014 (the latest practicable date prior to publication of the Notice of Annual General Meeting)) and sets minimum and maximum prices. This authority will expire at the conclusion of the company's Annual General Meeting in 2015.

The directors have no present intention of exercising the authority to purchase the company's ordinary shares but will keep the matter under review, taking into account the financial resources of the company, the company's share price and future funding opportunities. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. No shares were purchased pursuant to the equivalent authority granted to the directors at the company's last Annual General Meeting.

As at 28 March 2014 (the latest practicable date prior to the publication of the Notice of Annual General Meeting), there were no options over the ordinary shares in the capital of the company.

9. POLITICAL DONATIONS (RESOLUTION 22)

Resolution 22 deals with the rules on political donations contained in the Act. Under these rules, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within this. Therefore, notwithstanding that the company has not made political donations requiring shareholder authority in the past, and has no intention either now or in the future of making any such political donation or incurring any such political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 20, which is the same as the resolution on this subject which was passed at the company's Annual General Meeting held on 6 June 2013. This will allow the company to support the community and put forward its views to wider business and government interests without running the risk of being in breach of the law. This authority will cover the period from the date Resolution 20 is passed until the conclusion of the next Annual General Meeting of the company. As permitted under the Act, Resolution 22 also covers political donations made, or political expenditure incurred, by any subsidiaries of the company.

10. PERIOD OF NOTICE FOR CALLING GENERAL MEETINGS (RESOLUTION 23)

Resolution 23 is a resolution to allow the company to hold general meetings (other than Annual General Meetings) on 14 days' notice.

The minimum notice period permitted by the Act for general meetings (other than Annual General Meetings) is 21 days. However the Act allows companies to reduce this period back to 14 days (other than for Annual General Meetings) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The board is therefore proposing Resolution 23 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the company other than Annual General Meetings. The approval will be effective until the company's next Annual General Meeting, when it is intended that the approval be renewed.

The board will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time sensitive, and will balance that against the need for shareholders to consider their voting decisions, particularly where the proposals concerned are complex and may require more time for proper evaluation.

APPENDIX

SUMMARY OF THE G4S LONG TERM INCENTIVE PLAN (THE "LTIP")

Administration
Awards will be granted, and the LTIP will be administered, by the board, or a duly authorised committee of the board. Awards for executive directors will be determined and administered by the Remuneration Committee (and references to the board shall mean the Remuneration Committee in respect of such awards).

Eligibility
Awards may be granted to any of the employees of the company or its subsidiaries, including the executive directors.

Form of awards
Under the LTIP, awards will take the form of either:

– a conditional right to receive shares which will be automatically transferred to the award holder following vesting (a "Conditional Award"); or

– an interest in shares which will be held on behalf of the award holder until vesting (a "Forfeitable Share Award"). The award holder will not be entitled to call for or otherwise deal in the shares subject to a Forfeitable Share Award prior to vesting.

Timing of grant of awards
Awards under the LTIP may, save in exceptional circumstances, only be granted within a period of 42 days (i) commencing on the date of the adoption of the LTIP or (ii) following the date of announcement by the company of its interim or final results (or as soon as practicable thereafter if the company is restricted from being able to grant awards during such period).

Awards under the LTIP may not be granted more than ten years after the rules are approved by shareholders of the company in general meeting.

Non-Transferable and Non-Pensionable
Awards are non-transferable and do not form part of pensionable earnings.

Dividend equivalents
Award holders may receive an additional payment (or shares of equivalent value) equal to the dividends during the vesting period which would have been paid on the number of shares that vest. Award holders shall not be, unless the board determines otherwise, entitled to receive any dividends paid in respect of shares subject to a Forfeitable Share Award.

Individual limit
The maximum market value of the shares over which an employee may be granted an award under the LTIP in any calendar year shall not exceed an amount equal to 250 per cent. of the employee's gross annual basic salary at that time.

Plan Limits
Shares may be newly issued, transferred from treasury or market purchased for the purposes of the LTIP.

The number of shares subject to outstanding options or awards granted within the previous 10 years and the number of shares issued for the purpose of options and awards granted within the previous 10 years shall not exceed 10 per cent. of the company's ordinary share capital in issue immediately prior to the proposed date of grant under all employees' share schemes adopted by the company.

The number of shares subject to outstanding options or awards granted within the previous 10 years and the number of shares issued for the purpose of options and awards granted within the previous 10 years shall not exceed five per cent. of the company's ordinary share capital in issue immediately prior to the proposed date of grant under all discretionary employees' share schemes adopted by the company.

These limits do not include rights to shares which have been released, lapsed or otherwise become incapable of exercise or vesting. Any option or award which the board has determined will only be satisfied with existing shares (or which is granted on such terms), will not be subject to or counted in calculating the above limits. Treasury shares will count as new issue shares for the purpose of these limits for so long as institutional investor bodies consider that they should be so counted.

Performance conditions
The board will determine the performance conditions which will apply to awards and which will be measured, ordinarily, over a period of not less than three years (or such shorter period as the board may determine to be appropriate on the recruitment of an employee). There will be no provision for re-testing. The board may alter the performance conditions if events happen after the date of grant that cause the board to consider that any element of the performance condition is no longer a fair measure of the company's performance, provided that the revised target is not considered to be materially less challenging in the circumstances. Performance conditions proposed for executive directors are outlined in the company's remuneration policy, and will be set out in the annual report on directors' remuneration.

Vesting
Awards will normally only vest three years after the date of grant (or such earlier date as the board may determine to be appropriate on the recruitment of an employee), while the award holder remains in office or employment with the group, and to the extent that relevant performance conditions have been met.

For those awards that are to be granted in June 2014, the board has determined that any such awards will be treated as if they were granted in March 2014 (both in respect of the vesting period and the share price that is to be used to calculate the number of shares over which an award can be granted) in order to bring these awards in line with the company's usual grant cycle. This is because the board has historically granted allocations under the company's existing Performance Share Plan in March each year, but as noted in paragraph 2 of the Explanatory Notes on page 154, the Performance Share Plan will shortly be expiring and therefore new awards will be granted under the LTIP. As the LTIP will not be adopted by the board until after it has been approved by shareholders at the Annual General Meeting, awards under the LTIP cannot be granted until June 2014 at the earliest.

If the board so determines, an award may be satisfied in whole or in part by a cash payment as an alternative to the issue or transfer of shares.

Leavers
An award will normally lapse where the award holder ceases to hold office or employment with the group. Awards will not lapse on death or where the cessation of office or employment with the group is due to injury, disability, ill-health, redundancy, retirement, the transfer of the award holder's employment in connection with a business sale, the company with which the award holder holds office or employment ceasing to be a member of the group, or any other reason if the board so determines (a "Good Leaver").

Where an award holder ceases employment for a Good Leaver reason, the award will continue and vest on its normal vesting date. However, the board may determine that the award will instead vest on or at any time following the date of cessation. On the death of a participant, an award shall immediately vest.

Corporate actions

In the event of a change of control, awards will normally vest. In the event of the passing of a resolution for the voluntary winding-up of the company, awards will vest. In the event of a demerger of a substantial part of the group's business, a special dividend or a similar event affecting the value of the shares to a material extent, awards may be adjusted as set out below or the board may allow awards to vest. Where the corporate action forms part of an internal re-organisation, unless the board determines otherwise, an award shall not vest, and instead will be rolled-over into an award over shares in the new controlling company of equivalent value.

Extent of vesting

Awards will only vest (including for leavers or on a corporate action) to the extent that the relevant performance conditions have been satisfied. Where an award vests prior to the normal vesting date, the board will assess performance using such information as it determines to be appropriate.

Where, prior to the normal vesting date, an award holder ceases employment for a Good Leaver reason or there is a corporate action, the number of shares in respect of which an award vests will, unless the board determines otherwise, be pro-rated on the basis of the number of whole months which have elapsed from grant to the date of cessation or the corporate action (as applicable).

Variation of capital

The number of shares subject to awards may be adjusted, in such manner as the board may determine, following any variation of share capital of the company, a demerger of a substantial part of the group's business, a special dividend or a similar event affecting the value of shares to a material extent.

Alterations

The board may amend the LTIP rules as it considers appropriate, subject to any relevant legislation, provided that no modification may be made which confers any additional advantage on participants relating to eligibility, plan limits, the basis of individual entitlement, the price payable for the acquisition of shares and the provisions for the adjustment of awards without prior shareholder approval, except in relation to performance conditions or minor amendments to benefit the administration of the LTIP, to take account of a change in legislation, or to obtain or maintain favourable tax exchange control or regulatory treatment for participants or the company (or other group companies).

Clawback

The board may apply clawback where at any time before or within two years of vesting it determines that the financial results of the company were misstated, an error was made in any calculation or in assessing performance, which resulted in the number of shares in respect of which the award was granted or vested being more than it should have been. The board may also apply a claw-back where the award holder has been dismissed for misconduct.

A clawback may be satisfied in a number of ways, including by reducing the amount of any future bonus, by reducing the vesting of any subsisting or future options or awards (other than tax-advantaged options or awards), by reducing the number of shares under any vested but unexercised option and/or by either one or both of a requirement to make a cash payment or transfer of shares to the company.

The clawback provisions will not apply following the occurrence of a takeover or similar corporate event.

Overseas plans

The LTIP contains provisions which permit the board to establish further plans for the benefit of overseas employees based on the LTIP but modified as necessary or desirable to take account of overseas tax, exchange control or securities laws. Any new shares issued under such plans would count towards the individual and overall plan limits outlined above.

G4S plc was formed in 2004 from the merger of the security business of Group 4 Falck and Securicor. Since that time, the group has delivered robust shareholder returns and its five year financial performance is shown by the following financial record:

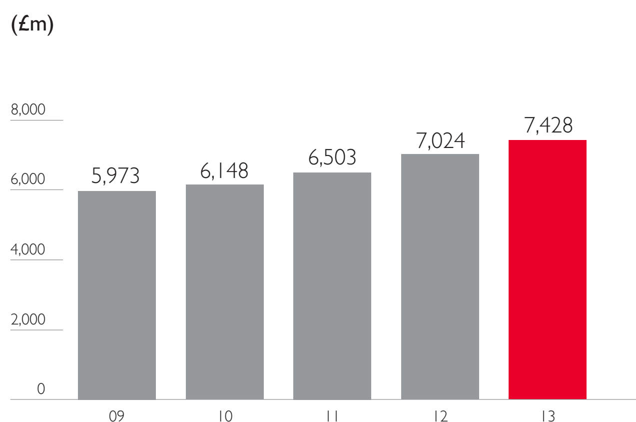
UNDERLYING TURNOVER AT CONSTANT EXCHANGE RATES

G4S revenues have grown consistently during the last five years.

REVENUE*

£7.4bn

* At 2013 exchange rates and adjusted for discontinued operations. Re-presented for specific items including profit or loss on disposals consistent with the 2013 presentation.



UNDERLYING PBITA AT CONSTANT EXCHANGE RATES

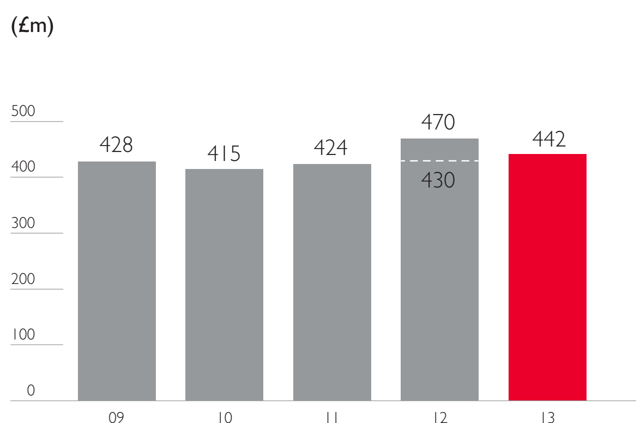
Operating profit, defined as profit before interest, tax and amortisation and excluding specific items, declined 6% to £442m (2012: £470m).

Adjusting for the prior year impact of the review of assets and liabilities in 2013, underlying operating profit grew 2.8% to £442m (2012: £430m), with strong growth in profits from emerging markets of 25%.

PBITA*

£442m

* At 2013 exchange rates and adjusted for discontinued operations. Re-presented for specific items including profit or loss on disposals consistent with the 2013 presentation.

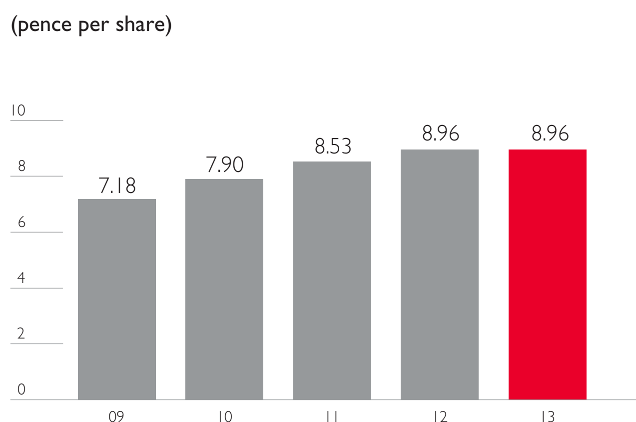


DIVIDEND

In the five years since 2009, G4S has delivered average dividend per share growth of 5.7%.

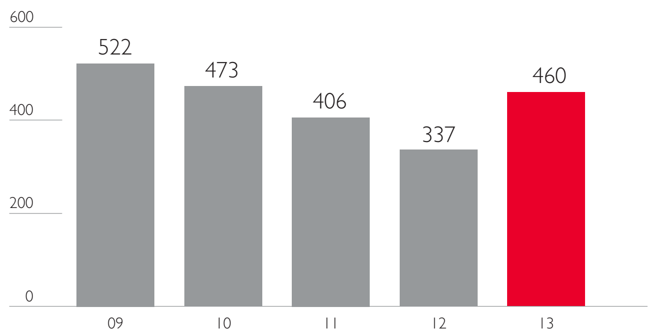
Pence per share

8.96p



CASH GENERATED BY CONTINUING OPERATIONS

£460m

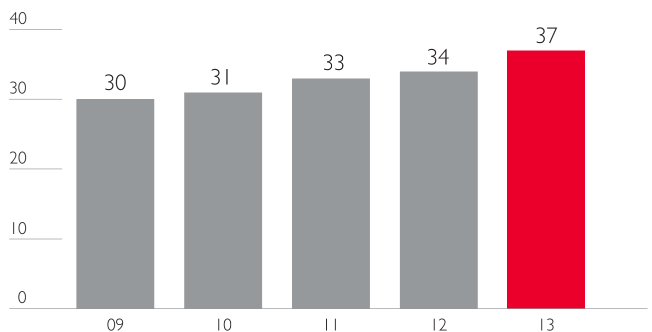


CONTINUED GROWTH IN REVENUE FROM EMERGING MARKETS

The group has a strong and growing emerging markets business and they form a growing part of revenues and profits.

+16%

revenue growth from emerging markets in 2013



SHARE PRICE

From the merger in July 2004 to the end of 2013, the G4S share price has increased 113% outperforming the FTSE 100 by 58% (see page 77 for its comparative TSR performance against that of the FTSE 100).

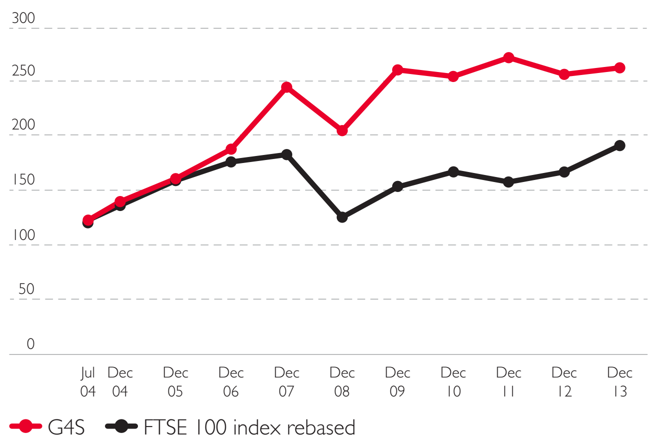
+113%

share price increase since 2004

+8.4%

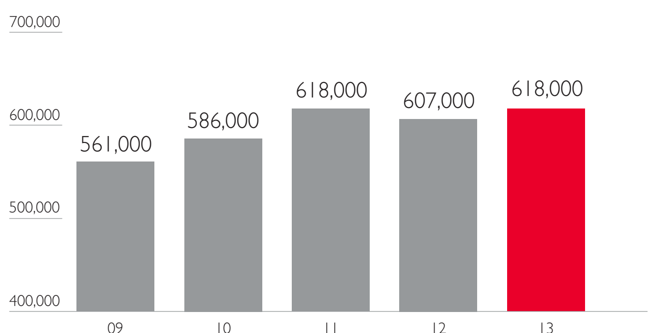
G4S share price CAGR* from 2004 to 2013

* CAGR is compound average growth rate.



EMPLOYEE NUMBERS

618,000



FINANCIAL CALENDAR

Results announcements
Half-year results – August
Final results – March

Dividend payment
Interim paid – 18 October 2013
Final payable – 13 June 2014

Annual General Meeting
5 June 2014

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GENERAL SHAREHOLDER INFORMATION

Registrars and transfer office
All enquiries relating to the administration of shareholdings should be directed to:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Telephone: within the UK 0871 664 0300 (calls cost 10p per minute plus network extras); from outside the UK +44 20 8639 3399
Fax: +44 (0) 1484 600 911
Email: shareholderenquiries@capita.co.uk
Secure share portal:
www.capitashareportal.com

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company or the company's registrar.

Capita share portal
The share portal is an online facility provided by the company's registrars, Capita Asset Services, for shareholders to manage their holding securely online reducing the need for paperwork. By registering for a free portal account, shareholders are able to access a range of online facilities 24 hours a day including those described below.

View account holding details
Allows shareholders to access their personal account, shareholding balance, share transaction history, indicative share valuation and dividend payment history. It also enables shareholders to buy and sell shares.

Change of address, bank mandates, downloadable forms
Allows shareholders to update their postal address and complete, change or delete bank mandate instructions for dividends. A wide range of shareholder information, including downloadable forms such as stock transfer forms, is also available.

Dedicated helpline
Capita Asset Services also has a helpline to help users with all aspects of the service.
Telephone (from the UK): 0871 664 0391
Calls cost 10p per minute plus network extras, lines are open 8.30am to 5.30pm Monday to Friday)
Telephone
(outside the UK): +44 (0) 20 8639 3367
Email: shareportal @capita.co.uk

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