Himanshu Raja
Chief Financial Officer

Disciplined financial and risk management

We have made good progress in embedding a new and robust financial and risk framework into the business and building the capability to ensure that the change is enduring.

Introduction

We made good progress during the year in executing our strategic plans; this is reflected in the progress in our financial performance.

The group's revenue from continuing operations increased by 3.9% to £6,750m. PBITA was £424m[1], a 7.9% increase on £393m[2] in 2013, and earnings grew by 11.7% to £210m.

Revenue in our emerging markets grew by 8.9% to £2,398m and now represents 36% (2013: 34%) of the group's total revenue and 40% (2013: 40%) of the group's PBITA. In our developed markets, revenue increased by 1.4% to £4,352m with growth of 6.9% in North America and modest declines in the UK and Europe of 1.3% and 0.6%. PBITA in both emerging and developed markets grew faster than revenue reflecting good operating leverage across our markets.

Other specific items in the current year were a net £66m charge and resulted from increases in provisions for contract losses of £45m relating to UK government contracts, the re-measurement of certain balance sheet assets and liabilities and other items of £32m and a net £10m charge relating to losses from smaller portfolio entities being sold or ceased and interest and tax from joint ventures. These charges were offset by a pension settlement gain of £21m relating to the transfer of the Netherlands secure solutions defined benefit pension scheme into an industry-wide scheme.

Our restructuring programmes in 2013 and 2014 continued to deliver good returns; making the group more efficient and effective in its operating and overhead base. During 2014, we invested a further £29m in restructuring programmes, principally in the UK & Ireland to bring the Ireland business under UK management and to introduce a shared services centre in the region; and in Europe we accelerated some of the best practice plans to reduce our overheads.

The group also recognised a profit of £63m on discontinued operations principally from the sale of the cash solutions business in Canada, the businesses in Sweden and Norway and the disposal of US Government Solutions for combined gross proceeds of £177m. We now operate in over 110 countries. Portfolio management remains an important discipline in ensuring we maintain strategic focus, capital discipline and disciplined financial management across the group.

PBIT for the year was £270m compared with the loss of £67m in 2013. Total profit for the year was £169m compared with a loss of £351m in 2013.

The group has previously highlighted its focus on cash and free cash flow, and it is pleasing to report that cash flow from continuing operations improved by 11% to £553m (2013: £496m). There remains more to do to improve our operational processes around billing and cash collections and this remains a key target for 2015.

The group's net debt at 31 December 2014 was £1,578m (2013: £1,552m) resulting in a net debt to EBITDA ratio of 2.8.

In January 2015 the group renewed its £1.1bn revolving credit facility. We saw good demand for the new facility of £1bn which matures in January 2020, with the option of two one year extensions which if exercised give the group facilities through to January 2021 and January 2022 respectively.

Underlying EPS was 13.6p, up 5.4% on 12.9p in 2013 and total earnings per share was 9.8p, compared with loss per share of 24.7p in 2013. The group has declared a final dividend of 5.82p (2013: 5.54p), making the total dividend for the year 9.24p (2013: 8.96p).

Strengthening our capability
During 2014, we made good progress in strengthening our financial and risk management across the group.

We made a number of key changes across the finance organisation with the appointment of a new group financial controller; and appointed new regional finance directors in four of our six regions. They in turn have begun to strengthen the finance capability in their teams. We also went live on the first phase of our regional shared service centres for the UK & Ireland, and are developing plans to implement similar shared services in some of our other regions.

We brought together our risk and audit functions with the appointment of a Director of Risk and Audit.

We made progress in embedding our three lines of defence model with the introduction of regional risk and audit committees. These provide a key forum to review the regional level risks for each region, mitigations and actions and a quarterly review of internal and external audit matters arising and any key judgements. Significant matters arising from the regional risk and audit committee are reported to the Board Audit Committee by the Director of Risk and Audit.

As reported under the governance report, we have also strengthened our contract risk and management processes.

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

GROUP FINANCIAL PERFORMANCE

Summary income statement

For the year ended 31 December 2014

		Specific items				
	Underlying results[1] 2014 £m	Other specific items 2014 £m	Acquisition related charges 2014 £m	Total 2014 £m	Underlying results[1] 2013[2] £m	Total results 2013[2] £m
Revenue	**6,750**	**98**	–	**6,848**	6,496	6,615
PBITA before restructuring costs	**424**	**(66)**	–	**358**	393	86
Restructuring costs	–	**(29)**	–	**(29)**	–	(63)
PBITA	**424**	**(95)**	–	**329**	393	23
Amortisation	–	–	**(58)**	**(58)**	–	(69)
Goodwill impairment	–	–	–	–	–	(41)
Acquisition-related expenses	–	–	**(1)**	**(1)**	–	(4)
Profit on disposal of subsidiaries	–	–	–	–	–	24
PBIT	**424**	**(95)**	**(59)**	**270**	393	(67)
Interest	**(120)**	**(2)**	–	**(122)**	(122)	(123)
PBT	**304**	**(97)**	**(59)**	**148**	271	(190)
Tax	**(76)**	**21**	**13**	**(42)**	(68)	(47)
PAT	**228**	**(76)**	**(46)**	**106**	203	(237)
Discontinued operations	–	**63**	–	**63**	–	(114)
Profit/(loss) for the year	**228**	**(13)**	**(46)**	**169**	203	(351)
Non-controlling interests	**(18)**	**1**	–	**(17)**	(15)	(8)
Profit/(loss) attributable to equity holders of the parent	**210**	**(12)**	**(46)**	**152**	188	(359)
Earnings per share: Basic and diluted	**13.6p**			**9.8p**	12.9p	(24.7)p

Reconciliation of summary income statement to consolidated income statement:

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

	2014 Revenue £m	**2014 PBITA £m**	2013 Revenue £m	2013 PBITA £m
Statutory results as reported	**6,848**	**414**	7,428	442
Effect of discontinued operations	–	–	(145)	(4)
Effect of adoption of IFRS10 and IFRS11	–	–	(222)	(21)
Restated results reported in consolidated income statement	**6,848**	**414**	7,061	417
Portfolio businesses and joint ventures	**(98)**	**10**	(119)	5
Exchange differences	–	–	(446)	(29)
Restated results as reported in the summary income statement	**6,750**	**424**	6,496	393

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 the summary income statement to the statutory results is set out on page 90.

To clearly present the underlying results of the group, PBITA represents the underlying continuing profit before interest, tax and amortisation of the group, excluding the interest and tax from joint ventures and the profits and losses of smaller portfolio businesses being sold or ceased, in line with the group's strategy. Specific items have been disclosed separately. The prior year income statement comparative information is shown at constant exchange rates on pages 89 to 95, unless otherwise stated. The statutory results of the group at actual exchange rates are set out on pages 99 to 155.

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

Revenue

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

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

Gross margin and PBITA

	2014 £m	2013 £m
Revenue	6,750	6,496
Cost of sales	(5,409)	(5,202)
Gross profit	1,341	1,294
Gross margin (%)	*19.9%*	*19.9%*
Selling, general and administrative costs	(917)	(901)
PBITA	424	393

Gross margin for the year ended 31 December 2014 remained at the same level as the prior year. Developed markets gross margin remained constant year on year at 18.7%, emerging markets gross margins declined by 20 basis points to 22.0% (2013: 22.2%). Across the group gross margin benefited from our targeted restructuring programmes and from the progress on our accelerated best practice programmes on direct labour efficiency, route planning and telematics.

Our selling, general and administrative expenses were £917m, a 1.8% increase year on year. This was after the investment of £20m we made in sales and business development capability. There remains much to do to continue to drive productivity across the group. We will continue to seek more efficiency in our organisation and to introduce more efficient and leaner processes.

PBITA

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

2013 PBITA has been restated to adjust for discontinued operations, portfolio businesses that have been sold or discontinued and for the impact of adopting the new consolidation and joint arrangement standards (IFRS10 and IFRS11). PBITA also excludes interest and tax relating to joint ventures, which are presented on the associated lines in the summary income statement.

Specific items

Specific items have been disclosed separately from the underlying results to provide a clear understanding of the underlying trading performance of the group.

	Other Specific items	
	2014 £m	2013 £m
Contracts review	(45)	(136)
Review of assets and liabilities	(32)	(166)
Pension settlement gain	21	–
Portfolio businesses and joint ventures	(10)	(5)
Restructuring	(29)	(63)
Discontinued operations and profit on disposal	63	(90)
Tax, interest and NCI	20	6
	(12)	(454)

Other specific items that have been charged to PBITA in 2014 totalled £95m (2013: £370m) and comprised:

- £45m increase in provisions for legacy UK Government contracts. In 2013 a provision £136m was taken on onerous contracts, including £116m for the Electronic Monitoring contract which was settled in March 2014.
- A net £11m charge, mainly arising from the re-measurement of the 2013 review of assets and liabilities of £32m, offset by a pension settlement gain of £21m in the Netherlands. In the prior year the group provided £166m against certain assets and liabilities as part of the 2013 review.
- A net £10m charge, being the profit and losses from the smaller portfolio entities being sold or ceased and interest and tax from joint ventures.
- The group invested £29m in restructuring programmes during the year (2013: £63m), including programmes in the UK & Ireland. In addition, major programmes were continued in Europe implementing accelerated best practice programmes focused on organisational effectiveness and back office synergies.

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

Amortisation and impairment

Acquisition-related intangible assets included in the balance sheet at 31 December 2014 consisted of £1,939m goodwill, £83m acquisition-related intangible assets and £82m other intangible assets.

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £58m (2013: £69m).

Goodwill is not amortised, but it is tested for impairment annually and the group did not incur any impairment charge to continuing or discontinued operations for 2014. In 2013 the group incurred a charge of £41m (at constant exchange rates) relating to goodwill impairment. See note 18 on page 128 for details of the results of the group's impairment test for the year ended 31 December 2014.

Interest and tax

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

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

Discontinued operations

The profit from discontinued operations of £63m comprised £71m of profit on disposal, offset by losses from discontinued operations of £8m.

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

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

Joint ventures

The group has adopted the three new consolidation standards: IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements' and IFRS12 'Disclosure of Interests in Other Entities' for the year ended 31 December 2014. For more details on the impact of adopting these standards please see note 3(w).

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

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

Non-controlling interest

Underlying profit attributable to non-controlling interests was £18m in 2014, an increase on £15m for 2013, mainly due to the partners' share of profit increasing in certain strongly performing businesses in the Asia Middle East region. Total profit attributable to non-controlling interests was £17m in 2014, an increase on £8m due to the partners' share of specific items charges in 2013.

Profit for the year

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

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

Earnings per share (EPS)

	Underlying earnings per share		
	2014 £m	2013 at constant exchange rates £m	2013 at actual exchange rates £m
Profit for the year	**228**	203	222
Non-controlling interest	**18**	15	15
Profit attributable to shareholders	**210**	188	207
Average number of shares (m)	**1,545**	1,452	1,452
EPS (p)	**13.6p**	12.9p	14.3p

	Total earnings/(loss) per share		
	2014 £m	2013 at constant exchange rates £m	2013 at actual exchange rates £m
Profit/(loss) for the year	**169**	(351)	(357)
Non-controlling interest	**17**	8	8
Profit/(loss) attributable to shareholders	**152**	(359)	(365)
Average number of shares (m)	**1,545**	1,452	1,452
EPS (p)	**9.8p**	(24.7)p	(25.1)p

Underlying earnings per share increased to 13.6p (2013:12.9p). Total earnings per share was 9.8p (2013: loss per share 24.7p). These are based on weighted average number of shares in issue of 1,545m (2013: 1,452m).

Underlying earnings excludes the results from discontinued operations and smaller portfolio entities being sold, amortisation and impairment of acquisition-related intangible assets, acquisition-related costs and specific 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.

Cash flow

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

	2014 £m	2013 £m
Profit/(loss) retained for the year	**152**	(365)
Adjustments for non-cash and other items (page 102)	**196**	789
Net cash flow from operating activities of continuing operations	**348**	424
Adjustments to exclude:		
Pension deficit payments	**42**	38
Electronic Monitoring payments (including fees)	**116**	–
Restructuring investment	**47**	34
Corporate items (see below)	**(27)**	(76)
Cash flow from operating businesses	**526**	420
Corporate items:		
Electronic Monitoring contracts receivable (2013: Olympics receivable)	**27**	76
Cash flow from continuing operations	**553**	496
Cash from discontinued operations	**(12)**	31
Net cash generated by operations	**541**	527
Investment in the business		
Purchase of fixed assets, net of disposals	**(122)**	(167)
Restructuring spend	**(47)**	(34)
Acquisitions of businesses	**(3)**	(23)
Disposal proceeds	**159**	35
Net debt in disposed entities	**(12)**	(12)
Net movement in finance leases	**(9)**	(12)
Net investment in the business	**(34)**	(213)
Net cash flow after investing in the business	**507**	314
Other (uses)/sources of funds		
Net financing	**(114)**	(108)
Tax	**(81)**	(83)
Pensions	**(42)**	(38)
Dividends	**(149)**	(151)
Share capital	**–**	343
Electronic Monitoring (including fees)	**(116)**	–
Other[3]	**(23)**	18
Net uses of funds	**(525)**	(19)
Net cash flow after investment, financing and tax	**(18)**	295
Net debt at beginning of year	**(1,552)**	(1,829)
Foreign exchange	**(8)**	(18)
Net debt at end of year	**(1,578)**	(1,552)

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

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

Net debt

The net debt position as at 31 December 2014 was £1,578m (2013: £1,552m). The group's net debt to EBITDA ratio was 2.8 (2013: 2.8).

Net debt maturity

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

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

The group's primary source of bank finance is a £1.1bn multi-currency revolving credit facility ('RCF') provided by a consortium of lending banks at a margin of 1.3% over LIBOR, maturing on 16 March 2016.

The RCF was successfully renewed on 7 January 2015 with improved pricing, terms and conditions achieved. The new facility is a five-year £1bn committed facility with the option of two one-year extensions which, if exercised, gives the group facilities through 2021 and 2022 respectively. The initial margin over LIBOR is 70 bps.

The group also has US $450m in financing outstanding from the private placement of unsecured senior loan notes on 1 March 2007, maturing at various dates between 2017 and 2022 and bearing interest at rates between 5.86% 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, of which US $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 and the interest rate on £44m swapped to floating rate linked to six month LIBOR until July 2017.

On 13 May 2009 the group issued a £350m note bearing an interest rate of 7.75% and maturing in 2019. In April 2014 the fixed interest rate payable on the note was swapped to floating rate linked to six month LIBOR until May 2017.

On 2 May 2012 the group issued a €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 £287m fixed rate sterling and the interest rate on €120m was swapped to a floating rate linked to six month EURIBOR.

Dividend

The directors recommend a final dividend of 5.82p (DKK 0.6041) per share, an increase of 5% compared to 2013. The interim dividend was 3.42p (DKK 0.3198) per share and the total dividend, if approved, will be 9.24p (DKK 0.9239) per share, an increase of 3% compared to 2013.

The proposed dividend cover is 1.5 times (2013: 1.6 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 2014 the defined benefit pension obligation on the balance sheet was £319m (2013: £504m), or £255m net of tax (2013: £405m) of which £264m (2013: £472m) related to material funded defined benefit schemes. At 31 December 2014 the group transferred its Netherlands secure solutions defined pension scheme into the industry wide defined benefit scheme, resulting in a net settlement gain of £21m which was recorded within specific items.

The most significant pension scheme is in the UK and accounts for 91% (2013: 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 32 on page 141.

Defined benefit obligation – UK scheme

	2014 £m	2013 £m	Movement £m
Scheme assets	**1,983**	1,562	421
Obligations	**(2,222)**	(2,011)	(211)
Total UK obligations	**(239)**	(449)	210

The movement in the UK scheme was as a result of an increase of £421m in the value of scheme assets principally arising from an increase in underlying asset values, partly offset by the scheme obligations increasing by £211m. The increase in the obligation is mainly due to actuarial losses incurred in the year, resulting from discount rates decreasing to 3.7% (2013: 4.4%) partly offset by inflation rates decreasing to 3.0% (2013: 3.4%).

The group made additional pension contributions of £42m (2013: £38m) into the scheme during the year. Following the latest triennial valuation in 2012, the group agreed with the Trustees to increase next year's annual deficit recovery payment to £44m and extended the term of these payments from 2022 to 2024. The next triennial valuation is in 2015.

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 31 on pages 137 to 141.

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 £300m were pooled with debit balances of £301m, resulting in a net pool debit balance of £1m. There is legal right of set off under the pooling agreement and an overdraft facility of £3m.

Interest rate risk and interest rate swaps

The group's investments and borrowings at 31 December 2014 were 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. Part of the proceeds of the private placement and public notes have been swapped to floating interest rates and accounted for as fair value hedges, with a net gain at 31 December 2014 of £49m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross currency swaps outstanding at 31 December 2014, accounted for as cash flow hedges, was a net gain of £9m.

Foreign currency
The group has many overseas subsidiaries and joint ventures 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 2014, the group's US dollar and Euro net assets were approximately 78% and 74% respectively, hedged by foreign currency loans. As at 31 December 2014, net debt held in US dollar and Euro and in those currencies officially pegged to these two currencies, equated broadly to a ratio of 2.3 times EBITDA generated from these currencies.

Corporate governance
The group's policies regarding risk management and corporate governance are set out in the Corporate governance report on pages 56 to 69.

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 as set out in the Directors' responsibility statement on page 88.

Himanshu Raja
Chief Financial Officer

1. To clearly present underlying performance, specific items have been disclosed separately. Total results include specific items. For an analysis of specific items see page 91. The group's statutory results at actual exchange rates are set out on pages 99 to 155.
2. 2013 results are shown at constant exchange rates and have been restated for the adoption of IFRS10 and IFRS11 and re-presented for businesses subsequently classified as discontinued or identified as part of the portfolio rationalisation – see page 90 for details.
3. Includes £22m of outflows related to movements in customer cash balances (2013: £22m inflows), £10m of cash outflows related to transactions with non-controlling interests (2013: £2m outflows) and £9m of cash inflows from equity accounted investments (2013: £2m outflows).

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 2014 set out on pages 99 to 164. 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 2014 and of the group's profit 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:

Revenue recognition and related provisions on UK Government and other contracts
Refer to page 66 (Audit Committee Report), page 108 (accounting policy) and page 114 (financial disclosures).

The risk – The group delivers outsourcing services that may be governed by unique and complex contractual arrangements. There is a heightened risk that billing and revenue recognition on these contracts are not in accordance with contractual entitlements and therefore provisions may be required for refunds due. There is a further risk that the provisions for refunds are not appropriately disclosed and presented. Many of the outsourcing arrangements are contracts of more than one year, and where such contracts are forecast to be loss making, it would be necessary to recognise a provision for future losses. The identification of potential loss making contracts, and measurement of any related provision, requires significant judgement and there is a risk that provisions are not appropriately estimated.

Our response – In this area our audit procedures included testing the revenue, billing and contract review process, on complex and significant contracts in order to critically assess 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 inspected customer correspondence to identify, investigate and evaluate any areas of dispute or subjectivity within contracts and related billing. We also tested the recovery of significant overdue receivables, taking into account the ageing of receivables and comparing any provision to recovery levels post year end. We also critically assessed significant accrued (unbilled) revenue balances and tested these against the contractual entitlement and, where relevant, post year-end billing.

We evaluated the process to identify potentially loss making contracts, taking into account our knowledge of those contracts, and the assessment of onerous contract provisions required, including evaluating and challenging future cash flow forecasts and performance improvement plans. We also considered the adequacy of the group's disclosures in respect of the judgments taken regarding revenue recognition, provisions arising from contracts disputes and provisions for loss making contracts.

Recoverable value of goodwill and other intangible assets
Refer to page 66 (Audit Committee Report), page 105 (accounting policy) and page 125 (financial disclosures).

The risk – The group has £2.1 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 cash flows and, where the fair value less costs to sell approach is used, the appropriate market valuation multiple.

Our response – In this area our audit procedures included challenging the forecast earnings and cash flows over the three year forecast period by comparison to historical results and business plans 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 valuation multiples employed compared to multiples achieved on disposal transactions elsewhere in the Group and by reference to other companies in the sector. We compared the Group's assumptions to externally derived data. Our valuation specialists assisted in the challenge of key input assumptions in the valuation model for the more material cash generating units and those with greatest risk of impairment of goodwill. We challenged the Group's sensitivities to help us assess whether the key assumptions and drivers considered are correctly identified. We also assessed the reasonableness of the group's aggregate recoverable amount by comparing it to the group's market capitalisation.

We have also assessed the adequacy of the group's disclosures on goodwill impairments (see note 18) and considered whether the sensitivity analysis provided properly reflects the risks inherent within the estimate of the recoverable amount of goodwill.

Taxation exposures and provisions
Refer to page 66 (Audit Committee Report), pages 109 (accounting policy) and page 120 (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 assessment 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 34 and the level of estimation uncertainty in the tax provisions in note 4.

Risk of management override of internal controls
Refer to page 66 (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 extending the scope of our audit to include businesses where we see a risk of management bias or override of controls. We 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.

Presentation of the income statement
Refer to page 66 (Audit Committee Report), page 103 (accounting policy) and page 99 (financial disclosures).

The risk – In order to give better understanding of the underlying performance of the business, the directors 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 costs' and 'specific items' are not in accordance with clearly disclosed group accounting policies, or that the reversal of any items previously taken through these categories have not been correctly identified, and therefore the underlying result is misstated.

Our response – In this area our audit procedures included 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 and restructuring costs 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 and restructuring costs. In doing so we assessed the appropriateness, by reference to the group accounting policies, of the individual items presented within these categories and therefore excluded from 'underlying results' at both the local and group levels. In addition we critically assessed the accuracy and presentation of the identified specific items taking into account their group accounting policy and accounting standards. Also, we have tested management's process for identifying and tracking the current year reversal of any prior year specific items, or utilisation of or adjustment to related provisions, to identify whether these have been appropriately presented in the current year income statement.

We have also considered the adequacy of the group's disclosures about the items included within 'restructuring costs' and 'specific items' in note 8 and the related accounting policies for these categories on page 103 and on page 107.

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, determined with reference to a benchmark of group profit before tax normalised to exclude specific items and restructuring costs (note 8), and goodwill impairment (note 18). Materiality represents 4.3% of group profit before tax adjusted for these items.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 123 reporting components, we subjected 68 to audits for group reporting purposes.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	% of the total profits and losses that made up group profit before tax	Group total assets
Audit for group reporting purposes	68	90%	76%	81%

For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.05m to £6m, having regard to the mix of size and risk profile of the Group across the components. The work on 67 of the 68 components was performed by components auditors and the rest by the group audit team.

The Group audit team visited or held telephone conference meetings with 30 component locations. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

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 88, in relation to going concern; and
- the part of the Corporate Governance Statement on page 60 in the Chairman's letter relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 88, 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/auditscopeukco2014a, 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 Morris (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 March 2015

Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated* £m
Continuing operations			
Revenue	5, 6	**6,848**	7,061
Operating profit before joint ventures		**406**	409
Share of profit from joint ventures	20	**8**	8
Operating profit before specific items and restructuring (PBITA)	6	**414**	417
Specific items	8	**(56)**	(315)
Restructuring	8	**(29)**	(66)
Operating profit before interest, tax and amortisation	6	**329**	36
Amortisation of acquisition-related intangible assets		**(58)**	(72)
Goodwill impairment		**–**	(46)
Acquisition-related expenses		**(1)**	(4)
Profit on disposal of subsidiaries		**–**	24
Operating profit/(loss)	6, 8	**270**	(62)
Net finance expense	12	**(122)**	(128)
Profit/(loss) before tax		**148**	(190)
Tax	13	**(42)**	(53)
Profit/(loss) from continuing operations after tax		**106**	(243)
Profit/(loss) from discontinued operations	7	**63**	(114)
Profit/(loss) for the year		**169**	(357)
Attributable to:			
Equity holders of the parent		**152**	(365)
Non-controlling interests		**17**	8
Profit/(loss) for the year		**169**	(357)
Earnings per share attributable to equity shareholders of the parent	15		
From profit/(loss) from continuing operations:			
Basic and diluted		**5.8p**	(17.3)p
From profit/(loss) from continuing and discontinued operations:			
Basic and diluted		**9.8p**	(25.1)p

* Restated – see notes 3(a) and 3(w)

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
Profit/(loss) for the year		**169**	(357)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements relating to defined retirement benefit schemes	32	**155**	(60)
Tax on items that will never be reclassified to profit or loss	13	**(36)**	(1)
		119	(61)
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(4)**	(109)
Change in fair value of net investment hedging financial instruments		**(44)**	25
Change in fair value of cash flow hedging financial instruments		**6**	(8)
Tax on items taken directly to equity	13	**6**	(4)
		(36)	(96)
Other comprehensive income/(loss), net of tax		**83**	(157)
Total comprehensive income/(loss) for the year		**252**	(514)
Attributable to:			
Equity holders of the parent		**236**	(521)
Non-controlling interests		**16**	7
Total comprehensive income/(loss) for the year		**252**	(514)

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Attributable to equity holders of the parent						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves* £m	Total £m	NCI reserve £m	Total reserves £m
At 1 January 2014	**388**	**258**	**(418)**	**636**	**864**	**20**	**884**
Total comprehensive income	**–**	**–**	**272**	**(36)**	**236**	**16**	**252**
Dividends declared	**–**	**–**	**(138)**	**–**	**(138)**	**(11)**	**(149)**
Transfer to retained earnings	**–**	**–**	**308**	**(308)**	**–**	**–**	**–**
Recycling of translation reserves on disposal	**–**	**–**	**–**	**(13)**	**(13)**	**–**	**(13)**
Transactions with non-controlling interests	**–**	**–**	**(6)**	**–**	**(6)**	**(3)**	**(9)**
Equity-settled transactions	**–**	**–**	**5**	**–**	**5**	**–**	**5**
At 31 December 2014	**388**	**258**	**23**	**279**	**948**	**22**	**970**
At 1 January 2013 – restated	353	258	143	422	1,176	32	1,208
Total comprehensive (loss)/income	–	–	(425)	(96)	(521)	7	(514)
Shares issued	35	–	–	308	343	–	343
Dividends declared	–	–	(130)	–	(130)	(21)	(151)
Own shares awarded	–	–	(2)	2	–	–	–
Transactions with non-controlling interests	–	–	(4)	–	(4)	2	(2)
At 31 December 2013 – restated	388	258	(418)	636	864	20	884

* See note 36

Consolidated statement of financial position

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m	2012 Restated £m
ASSETS				
Non-current assets				
Goodwill	18	**1,939**	1,955	2,096
Other acquisition-related intangible assets	18	**83**	141	204
Other intangible assets	18	**82**	77	87
Property, plant and equipment	19	**450**	484	506
Investment in joint ventures	20	**41**	34	30
Trade and other receivables	23	**97**	104	118
Deferred tax assets	34	**176**	184	179
		2,868	2,979	3,220
Current assets				
Inventories	21	**108**	112	124
Investments	22	**60**	39	52
Trade and other receivables	23	**1,371**	1,380	1,500
Cash and cash equivalents	26	**409**	532	419
Assets classified as held for sale	25	**6**	220	229
		1,954	2,283	2,324
Total assets	6	**4,822**	5,262	5,544
LIABILITIES				
Current liabilities				
Bank overdrafts	26, 27	**(18)**	(9)	–
Bank loans	27	**(60)**	(27)	(13)
Loan notes	27	**(96)**	(61)	(40)
Obligations under finance leases	28	**(14)**	(21)	(18)
Trade and other payables	29	**(1,103)**	(1,166)	(1,184)
Current tax liabilities		**(69)**	(48)	(38)
Provisions	33	**(90)**	(195)	(27)
Liabilities classified as held for sale	25	**(4)**	(133)	(52)
		(1,454)	(1,660)	(1,372)
Non-current liabilities				
Bank loans	27	**(105)**	(140)	(324)
Loan notes	27	**(1,803)**	(1,921)	(1,999)
Obligations under finance leases	28	**(26)**	(31)	(43)
Trade and other payables	29	**(23)**	(13)	(18)
Retirement benefit obligations	32	**(319)**	(504)	(471)
Provisions	33	**(105)**	(64)	(45)
Deferred tax liabilities	34	**(17)**	(45)	(64)
		(2,398)	(2,718)	(2,964)
Total liabilities	6	**(3,852)**	(4,378)	(4,336)
Net assets		**970**	884	1,208
EQUITY				
Share capital	35	**388**	388	353
Share premium and reserves	36	**560**	476	823
Equity attributable to equity holders of the parent		**948**	864	1,176
Non-controlling interests		**22**	20	32
Total equity		**970**	884	1,208

The consolidated financial statements were approved by the board of directors and authorised for issue on 26 March 2015. They were signed on its behalf by:

Ashley Almanza
Director

Himanshu Raja
Director

Financial statements

Consolidated statement of cash flow

For the year ended 31 December 2014

	Notes	2014 £m	2013 Restated £m
Profit/(loss) retained for the year		**152**	(365)
Adjustments for non-cash and other items:			
Non-controlling interest		**17**	8
Pension settlement gain	32	**(21)**	–
(Profit)/loss from discontinued operations	7	**(63)**	114
Tax charge	13	**42**	53
Net finance expense	12	**122**	128
Depreciation of property, plant and equipment		**108**	114
Amortisation of acquisition-related intangible assets		**59**	76
Amortisation of other intangible assets		**25**	24
Impairment of other assets		**4**	24
Goodwill impairment	18	**–**	46
Equity-settled transactions		**5**	–
Share of profit from joint ventures	20	**(8)**	(8)
Profit on disposal of assets and subsidiaries		**(3)**	(24)
(Decrease)/increase in provisions		**(68)**	187
Additional pension contributions	32	**(42)**	(38)
Operating cash flow before movements in working capital		**329**	339
(Increase)/decrease in inventories		**(2)**	6
Decrease in receivables		**10**	40
Increase in payables		**11**	39
Net cash flow from operating activities of continuing operations		**348**	424
Net cash flow from operating activities of discontinued operations		**(12)**	31
Cash generated by operating activities		**336**	455
Tax paid		**(81)**	(83)
Net cash flow from operating activities		**255**	372
Investing activities			
Interest received		**12**	21
Cash flow from equity accounted investments		**9**	(2)
Purchases of non-current assets		**(138)**	(178)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**16**	11
Acquisition of subsidiaries		**(3)**	(23)
Net cash and overdraft balances acquired		**–**	(6)
Disposal of subsidiaries		**159**	35
Cash, cash equivalents and bank overdrafts in disposed entities		**(12)**	(2)
(Purchase)/sale of investments		**(17)**	13
Net cash generated by/(used in) investing activities		**26**	(131)
Financing activities			
Share issues	35	**–**	343
Dividends paid to equity shareholders of the parent		**(138)**	(130)
Dividends paid to non-controlling interests		**(11)**	(21)
Other net movement in borrowings		**(91)**	(188)
Movement in customer cash balances		**(22)**	22
Transactions with non-controlling interests		**(10)**	(2)
Interest paid		**(126)**	(129)
Repayment of obligations under finance leases		**(19)**	(9)
Net cash flow from financing activities		**(417)**	(114)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	37	**(136)**	127
Cash, cash equivalents and bank overdrafts at the beginning of the year		**538**	439
Effect of foreign exchange rate fluctuations on cash held		**(11)**	(28)
Cash, cash equivalents and bank overdrafts at the end of the year	26	**391**	538

1. General information

G4S plc is a company incorporated in the United Kingdom. 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 sterling, the US dollar and Euro. 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 177.

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's financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 156 to 164.

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 considered the group's strategy, liquidity and financial position and reviewed the budget for the next 12 months and the medium-term strategic plan. As part of this review, various stress test scenarios to assess the adequacy of resources available to the group were considered, including the newly refinanced £1bn revolving credit facility which is largely undrawn but committed and the headroom available within the group's financial covenants.

The directors also considered the risks facing the business and whilst certain risks such as underperformance on major contracts could impact profitability they do not present a material risk to the group.

On completion of the review the directors were satisfied that the group had access to sufficient resources to allow it to execute its strategy and continue to operate for the foreseeable future.

The comparative income statement for the year ended 31 December 2013 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £145m and loss before tax has increased by £3m compared to the figures published previously. Further details of discontinued operations are presented within note 7.

(b) Presentation of the income statement

The group's income statement and segmental analysis note separately identify results before specific items. 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 aids the understanding of the group's financial performance. Specific items are identified by virtue of their size, nature or incidence. Any associated reversal will also flow through specific items such that the underlying results reflect the ongoing recurring results of the business.

(c) Specific items

Specific items are those that in management's judgement should 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, results relating to discontinued operations, certain restructuring costs, impairments, onerous contract provisions and other one-off items such as the review of the carrying value of assets and liabilities performed in 2013.

Specific items may not be comparable to similarly titled measures used by other companies. Specific items for the current and prior year are disclosed in note 8.

3. Significant accounting policies (continued)

(d) Basis of consolidation

During the year the group has adopted the new consolidation standards IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements' and IFRS12 'Disclosure of Interests in Other Entities'. The following accounting policies reflect these new standards, and the impact of adopting these standards on the group's financial results and position is given in more detail in note 3(w) on page 110.

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group has existing rights that give it the current ability to direct the activities that affect the group's returns and exposure or rights to variable returns from the entity. This can be 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 IFRS 10 'Consolidated 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 arrangements

A joint arrangement is a contractual arrangement which grants the group and other parties joint control over a shared undertaking. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are incorporated in the group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the joint venture, less any impairment in the value of the investment. The group's share of post-tax profits or losses is recognised in the consolidated income statement.

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.

(e) 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.

(f) 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.

(g) 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 joint arrangement, 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

3. Significant accounting policies (continued)

(g) Intangible assets (continued)

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.

(h) Property, plant and equipment

Property, plant and equipment are 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.

(i) 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 control of the asset remains 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 fair value, including transaction costs. 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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 33) 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.

(n) 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.

The group distinguishes between restructuring costs that are recurring and those restructuring costs that relate to one-off or transformational group programmes that impact a number of operations.

Restructuring costs that are incurred in the normal course of business are recorded as part of the group's trading results.

Restructuring costs that are individually material or relate to programmes linked to the group's wider transformation and require approval at executive level are presented within specific items and disclosed separately in the consolidated income statement.

3. Significant accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

Provisions for future losses are charged to the income statement; where onerous contract provisions are material by virtue of their size, incidence or nature they are separately disclosed as specific items. In-year losses from onerous contracts will continue to be reported in underlying earnings as they are incurred, with provisions for future losses on onerous contracts being unwound against these losses in underlying earnings.

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.

(r) 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.

(s) 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 interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

(t) 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.

(u) 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.

(v) Dividend distribution

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders at a general meeting.

3. Significant accounting policies (continued)

(w) Adoption of new and revised accounting standards and interpretations
In the year ended 31 December 2014, the group adopted the following new standards and amendments:

- 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', introduced a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. This differs from the previous approach where one of the main criteria used to consolidate was to have the power to govern the financial and operating policies of the entity. As a result of the adoption of IFRS 10 the group has reclassified certain businesses within the Asia & Middle East region as joint ventures where previously they were classified as subsidiaries. As a result of applying IFRS 11 'Joint Arrangements', the group now accounts for these businesses using the equity method.
- IFRS 11 'Joint Arrangements' 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 are accounted for using the equity method of accounting, similar to that used to account for associates under the previous standards. As the group previously applied the proportionate method of accounting to its jointly controlled entities this has impacted the group's consolidated income statement and consolidated statement of financial position.
- IFRS 12 'Disclosure of Interests 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. As a result of adopting this standard the group has re-assessed the criteria used to determine material joint ventures. The new criteria are based on the contribution of revenue, operating profit and net assets that the joint ventures make to the group's results. Under these new measures the group has determined that none of its joint ventures are individually material for the purposes of disclosure in accordance with IFRS12.
- The group also adopted IAS27 (revised) 'Separate Financial Statements' and IAS28 'Associates and Joint Ventures'. The adoption of these standards did not have a material impact on the financial statements.

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

The adoption of IFRS10 has resulted in certain businesses in the Asia Middle East region being re-classified as joint ventures rather than subsidiaries. These businesses were previously consolidated into each of the relevant line items in the group's income statement, statement of cash flows and statement of financial position at 100% of their reported results with an appropriate adjustment made to reflect the non-controlling interests' share. As a result of being classified as joint ventures they fall into the scope of IFRS11 and are now reported using the equity method. Under the equity method the group's share of the entities' post-tax results are shown in the income statement under 'share of profit from joint ventures' and the group's net investment is shown in the statement of financial position under 'investment in joint ventures', with no adjustment required for non-controlling interests.

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

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

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

* This adjustment includes a £3m reclassification to the NCI result for the year ended 31 December 2013.

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

* This adjustment includes a £3m reclassification to reserves as at 31 December 2013

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

3. Significant accounting policies (continued)

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

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

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

- IFRS 9 'Financial Instruments' is effective for the year ended 31 December 2018 and removes the multiple classification and measurement models for financial assets required by IAS 39 and replaces it with a model with only two classification categories: amortised cost and fair value. The business model for managing the financial assets and the contractual cash flow characteristics of those assets drives the classification. There have been no significant changes to the accounting and presentation for financial liabilities and for derecognising financial instruments. The group is currently assessing the impact this standard would have on its consolidated results and financial position.
- IFRS15 'Revenue from Contracts with Customers' is effective for the year ended 31 December 2017 and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS15.

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

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS16 and IAS38)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS19)
- IFRS14 Regulatory Deferral Accounts
- Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle

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 2014 accounts are detailed below:

Revenue recognition and contract 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 33). Estimates and judgements are therefore required to determine the appropriate level of provisioning applied to these contracts.

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 judgments 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 18.

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.

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 were presented within 'specific items' given the one-off nature of the review performed and are disclosed in note 8. As at 31 December 2014 these estimates and judgements have been updated to reflect any changes in facts or circumstances during the year to 31 December 2014 with any additional charges or reversals also being presented within specific items.

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 IFRS10' Consolidated 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.

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 32.

5. Revenue

An analysis of the group's revenue, as defined by IAS 18 'Revenue', is as follows:

	Notes	2014 £m	2013 Restated £m
Continuing operations			
Sale of goods		**188**	159
Rendering of services		**6,495**	6,721
Revenue from construction contracts		**165**	181
Revenue from continuing operations as presented in the consolidated income statement	6	**6,848**	7,061
Discontinued operations			
Sale of goods		**–**	1
Rendering of services		**391**	742
Revenue from construction contracts		**–**	23
Revenue from discontinued operations	6, 7	**391**	766
Other operating income			
Interest income	12	**11**	13
Total other operating income		**11**	13
Total revenue as defined by IAS 18		**7,250**	7,840

6. Operating segments

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

Segment information is presented below:

Revenue by reportable segment and geographical area	**Continuing operations 2014 £m**	**Discontinued operations 2014 £m**	**Total 2014 £m**	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
Africa	**485**	**3**	**488**	496	8	504
Asia Middle East	**1,327**	**–**	**1,327**	1,372	1	1,373
Latin America	**663**	**22**	**685**	693	24	717
Europe	**1,421**	**100**	**1,521**	1,526	285	1,811
North America	**1,365**	**266**	**1,631**	1,359	448	1,807
UK & Ireland	**1,587**	**–**	**1,587**	1,615	–	1,615
Total revenue	**6,848**	**391**	**7,239**	7,061	766	7,827

Revenue from internal and external customers by reportable segment	**Total gross segment revenue 2014 £m**	**Inter-segment revenue 2014 £m**	**External revenue 2014 £m**	Total gross segment revenue 2013 Restated £m	Inter-segment revenue 2013 Restated £m	External revenue 2013 Restated £m
Secure Solutions	**6,132**	**(9)**	**6,123**	6,531	(8)	6,523
Cash Solutions	**1,118**	**(2)**	**1,116**	1,306	(2)	1,304
Total revenue	**7,250**	**(11)**	**7,239**	7,837	(10)	7,827

Inter-segment sales are charged at prevailing market prices. Refer to note 7 for details on discontinued operations.

Operating profit by reportable segment and geographical area	Continuing operations 2014 £m	Discontinued operations 2014 £m	Total 2014 £m	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
Africa	**46**	**(1)**	**45**	40	(5)	35
Asia Middle East	**101**	**–**	**101**	108	–	108
Latin America	**38**	**–**	**38**	44	–	44
Europe	**84**	**–**	**84**	88	(3)	85
North America	**75**	**(3)**	**72**	59	18	77
UK & Ireland	**130**	**–**	**130**	119	–	119
Operating profit/(loss) before corporate costs	**474**	**(4)**	**470**	458	10	468
Corporate costs	**(60)**	**–**	**(60)**	(41)	–	(41)
Operating profit/(loss) before specific items and restructuring	**414**	**(4)**	**410**	417	10	427
Specific items	**(56)**	**(3)**	**(59)**	(315)	(23)	(338)
Restructuring	**(29)**	**–**	**(29)**	(66)	(4)	(70)
Operating profit/(loss) before interest, tax and amortisation	**329**	**(7)**	**322**	36	(17)	19
Amortisation of acquisition-related intangible assets	**(58)**	**(1)**	**(59)**	(72)	(4)	(76)
Goodwill impairment	**–**	**–**	**–**	(46)	(80)	(126)
Acquisition-related expenses	**(1)**	**–**	**(1)**	(4)	–	(4)
Profit/(loss) on disposal of subsidiaries	**–**	**71**	**71**	24	(3)	21
Operating profit/(loss)	**270**	**63**	**333**	(62)	(104)	(166)

Refer to note 7 for details on discontinued operations.

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 by reportable segment and geographical area	Total assets 2014 £m	Total assets 2013 Restated £m	Total liabilities 2014 £m	Total liabilities 2013 Restated £m
Africa	**227**	240	**(79)**	(78)
Asia Middle East	**676**	702	**(248)**	(239)
Latin America	**352**	348	**(119)**	(105)
Europe	**720**	851	**(256)**	(357)
North America	**768**	826	**(165)**	(186)
UK & Ireland	**1,285**	1,390	**(343)**	(489)
Inter-segment trading balances	**(188)**	(192)	**188**	192
Total segment assets and liabilities	**3,840**	4,165	**(1,022)**	(1,262)
Corporate	**169**	116	**(152)**	(90)
Total operating assets and liabilities	**4,009**	4,281	**(1,174)**	(1,352)
Non-operating assets and liabilities	**813**	981	**(2,678)**	(3,026)
Total assets and liabilities	**4,822**	5,262	**(3,852)**	(4,378)

6. Operating segments (continued)

Non-current operating assets by reportable segment and geographical area	2014 £m	2013 Restated £m
Africa	**123**	133
Asia Middle East	**359**	383
Latin America	**208**	226
Europe	**452**	514
North America	**479**	516
UK & Ireland	**964**	1,019
Total segment assets	**2,585**	2,791
Corporate	**68**	45
Total non-current operating assets	**2,653**	2,836
Non-operating assets	**217**	245
Less: Non-current assets held for sale	**(2)**	(102)
Total non-current assets	**2,868**	2,979

Non-operating assets and liabilities comprise financial assets and liabilities, taxation assets and liabilities and retirement benefit obligations.

Included within operating and non-operating assets are £6m (2013: £179m) and £nil (2013: £41m) respectively relating to disposal groups classified as held for sale. Included within operating and non-operating liabilities are £3m (2013: £93m) and £1m (2013: £40m) respectively relating to liabilities associated with disposal groups classified as held for sale. Disposal groups are analysed in note 25.

Other information

By reportable segment	Impairment losses recognised in income 2014 £m	Depreciation and amortisation 2014 £m	Capital additions 2014 £m	Impairment losses recognised in income 2013 Restated £m	Depreciation and amortisation 2013 Restated £m	Capital additions 2013 Restated £m
Africa	**–**	**13**	**12**	12	15	27
Asia Middle East	**–**	**28**	**30**	5	33	40
Latin America	**–**	**18**	**12**	–	21	14
Europe	**–**	**39**	**37**	14	41	47
North America	**–**	**19**	**16**	105	29	11
UK & Ireland	**4**	**75**	**36**	7	84	65
Head office	**–**	**3**	**2**	7	2	3
Total	**4**	**195**	**145**	150	225	207

7. Discontinued operations

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

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

The results of the discontinued operations are presented below:

	Note	2014 £m	2013 Restated £m
Revenue		**391**	766
Operating (loss)/profit before specific items		**(4)**	10
Specific items		**(3)**	(23)
Restructuring costs		**–**	(4)
Acquisition-related amortisation and expenses		**(1)**	(4)
Goodwill impairment		**–**	(80)
Profit/(loss) on disposal of discontinued operations	17	**71**	(3)
Operating profit/(loss)		**63**	(104)
Finance income		**–**	1
Finance costs		**–**	(2)
Profit/(loss) before tax		**63**	(105)
Tax		**–**	(9)
Operating profit/(loss) for the year		**63**	(114)

The effect of discontinued operations on segment results is disclosed in note 6.

The impairment of goodwill and other assets in 2013 relates to the US Government Solutions business and reduced the carrying value of its net assets down to their estimated recoverable amount.

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

	2014 £m	2013 Restated £m
Net cash flows from operating activities (after tax)	**(12)**	31
Net cash flows from investing activities	**152**	(18)
Net cash flows from financing activities	**(17)**	19
	123	32

8. Operating profit

The income statement can be analysed as follows:

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

Total specific items charged in the year were £56m (2013: £315m) and restructuring costs of £29m (2013: £66m).

Cost of sales

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

Administration expenses

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

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

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

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

9. Profit from operations

Profit from continuing and discontinued operations has been arrived at after charging/(crediting):

	Notes	Continuing 2014 £m	Discontinued 2014 £m	Total 2014 £m	Continuing 2013 Restated £m	Discontinued 2013 Restated £m	Total 2013 Restated £m
Cost of sales							
Cost of inventories recognised as an expense		**99**	**–**	**99**	105	6	111
Onerous contracts	8	**45**	**–**	**45**	27	–	27
Other items	8	**5**	**–**	**5**	98	–	98
Administration expenses							
Review of assets and liabilities	8	**27**	**3**	**30**	81	24	105
Pension settlement gain	8	**(21)**	**–**	**(21)**	–	–	–
Restructuring costs	8	**29**	**–**	**29**	66	4	70
Amortisation of acquisition-related intangible assets	8	**58**	**1**	**59**	72	4	76
Acquisition-related expenses	8	**1**	**–**	**1**	4	–	4
Electronic Monitoring settlement	8	**–**	**–**	**–**	109	–	109
Goodwill impairment	8,18	**–**	**–**	**–**	46	80	126
Amortisation of other intangible assets		**25**	**–**	**25**	24	2	26
Depreciation of property, plant and equipment		**108**	**3**	**111**	114	9	123
(Profit)/loss on disposal of subsidiaries	17	**–**	**(71)**	**(71)**	(24)	3	(21)
Impairment of trade receivables		**4**	**–**	**4**	19	1	20
Litigation settlements		**–**	**–**	**–**	1	–	1
Research and development expenditure		**10**	**–**	**10**	5	–	5
Operating lease rentals payable		**107**	**–**	**107**	126	10	136
Operating sub-lease rentals receivable		**(14)**	**–**	**(14)**	(15)	–	(15)
Share based payments		**5**	**–**	**5**	–	–	–

10. Auditor's remuneration

	2014 £m	2013 Restated £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	**5**	6
All other services*	**1**	1

* Other services relates to the provision of tax and non-audit advisory services.

The Audit Committee Report on page 69 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:

By reportable segment and geographical area	2014 Number	2013 Restated Number
Africa	**124,024**	119,930
Asia Middle East	**243,909**	236,984
Latin America	**76,061**	75,137
Europe	**66,346**	72,154
North America	**59,232**	60,226
UK & Ireland	**41,221**	44,681
Head office	**196**	173
Total average number of employees (excluding joint ventures)	**610,989**	609,285
Average number of employees employed by joint ventures	**20,476**	19,850
Total average number of employees (including joint ventures)	**631,465**	629,135

Their aggregate remuneration, in continuing and discontinued operations, comprised:

	2014 £m	2013 Restated £m
Wages and salaries	**4,243**	4,561
Social security costs	**489**	560
Employee benefits	**220**	212
Total staff costs (excluding joint ventures)	**4,952**	5,333
Joint venture staff costs	**111**	108
Total staff costs (including joint ventures)	**5,063**	5,441

Information on directors' remuneration, long-term incentive plans, pension contributions and entitlements is set out in the Directors' remuneration report on pages 70 to 84.

12. Net finance expense

	2014 £m	2013 Restated £m
Interest income on cash, cash equivalents and investments	**10**	12
Other interest income	**1**	1
Gain/(loss) arising from change in fair value of derivative financial instruments hedging loan notes	**5**	(28)
(Loss)/gain arising from fair value adjustment to the hedged loan note items	**(5)**	28
Total finance income	**11**	13
Interest on bank overdrafts and loans	**(23)**	(24)
Interest on loan notes	**(91)**	(100)
Net interest receivable on loan note related derivatives	**11**	12
Interest on obligations under finance leases	**(4)**	(4)
Other interest charges	**(4)**	(5)
Total group borrowing costs	**(111)**	(121)
Net finance costs on defined retirement benefit obligations	**(22)**	(20)
Total finance costs	**(133)**	(141)
Net finance expense	**(122)**	(128)

Included within group borrowing costs is a charge of £6m (2013: £6m) relating to cash flow hedges that were transferred from equity during the year.

13. Tax

	Continuing operations 2014 £m	Discontinued operations 2014 £m	Total 2014 £m	Continuing operations 2013 Restated £m	Discontinued operations 2013 Restated £m	Total 2013 Restated £m
Current tax expense/(credit)						
UK corporation tax	**11**	**–**	**11**	10	–	10
Overseas tax	**66**	**–**	**66**	58	(4)	54
Adjustments in respect of prior years:						
UK corporation tax	**1**	**–**	**1**	1	–	1
Overseas tax	**12**	**(1)**	**11**	20	9	29
Total current tax expense/(credit)	**90**	**(1)**	**89**	89	5	94
Deferred tax (credit)/expense (see note 34)						
Current year	**(20)**	**1**	**(19)**	(23)	(1)	(24)
Adjustments in respect of prior years	**(28)**	**–**	**(28)**	(13)	5	(8)
Total deferred tax (credit)/expense	**(48)**	**1**	**(47)**	(36)	4	(32)
Total income tax expense for the year	**42**	**–**	**42**	53	9	62

UK corporation tax is calculated at 21.5% (2013: 23.3%) 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:

	2014 £m	2013 Restated £m
Profit/(loss) before tax		
Continuing operations	**148**	(190)
Discontinued operations	**63**	(105)
Total profit/(loss) before tax	**211**	(295)
Tax at UK corporation tax rate of 21.5% (2013: 23.3%)	**(45)**	69
Expenses that are not deductible in determining taxable profit	**(15)**	(47)
Deferred tax recognised on purchased intangibles	**15**	–
Profits on disposal of businesses not taxable	**15**	–
Tax losses not recognised in the current year	**(26)**	(44)
Different tax rates of subsidiaries operating in non-UK jurisdictions	**(4)**	(16)
Movement in deferred tax balance due to reduction in UK rate to 20% from 1 April 2015	**–**	(3)
Adjustment for joint ventures	**2**	2
Adjustments for previous years	**16**	(23)
Total income tax charge	**(42)**	(62)
Effective tax rate for continuing and discontinuing operations	**20%**	21%

The effective tax rate for continuing operations was 28% (2013: 28%).

The following tax charge/(credit) has been recognised directly in equity within the statement of comprehensive income:

	2014 £m	Restated 2013 £m
Tax relating to components of other comprehensive income		
Change in fair value of cash flow and net investment hedging financial instruments	**(6)**	3
Actuarial profit on defined retirement benefit schemes	**36**	1
Other	**–**	1
Total tax debited to other comprehensive income	**30**	5

14. Dividends

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

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

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

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

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 of 140,925,797 shares. The increase in average shares during 2014 reflects the full year impact of this share placing.

16. Acquisitions

Current year acquisitions
The group did not undertake any material business combinations in the current year.

Prior year acquisitions
The group undertook a number of business combinations in the prior year including the acquisition of Deposita, a cash solutions business in South Africa.

The following table sets out the fair value to the group in respect of all acquisitions made in the prior year:

2013 acquisitions	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 were made to identifiable assets and liabilities on acquisition to reflect their fair value. These included the recognition of customer-related intangible assets amounting to £12m.

From their respective dates of acquisition, the acquired businesses contributed £28m to prior year revenues, £4m to prior year operating profit before specific items and £3m to prior year profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2013, group revenue for that year would have been £7,067m, operating profit before specific items would have been £418m and total loss for the year would have been £356m.

17. Disposal of subsidiaries

During the current year the group disposed of its US Government Solutions business, its cash business in Canada, its business in Norway, its locks business in Finland and its business in Sweden.

In the prior year the group disposed of its data solutions business in Colombia recognising a profit of £24m presented in continuing operations and its cash business in Slovakia resulting in a £3m loss presented in discontinued operations.

The net assets and profit on disposal of operations disposed of were as follows:

	2014 £m	2013 £m
Goodwill	54	–
Acquisition-related intangible assets	1	–
Property, plant and equipment and intangible assets other than acquisition-related	27	8
Other non-current assets	80	–
Current assets	103	11
Liabilities	(150)	(5)
Net assets of operations disposed	115	14
Less: recycling of cumulative translation reserve	(13)	–
Net impact on statement of financial position due to disposals	102	14
Profit on disposal	71	21
Total consideration	173	35
Satisfied by:		
Cash received	161	35
Disposal costs	(4)	–
Used to repay debt	16	–
Total consideration relating to current year disposals	173	35
Additional consideration received in the current year relating to disposals completed in prior years	2	–
Total consideration recognised in the current year	175	35

Included in proceeds is £16m that was paid by the purchaser directly to the group's counterparties to repay existing debt at the time of disposal.

18. Intangible assets

2014	Goodwill £m	Acquisition-related intangible assets Trademarks £m	Customer related £m	Technology £m	Other intangibles £m	Total £m
Cost						
At 1 January 2014	2,052	32	657	9	200	2,950
Acquisition of businesses	–	–	1	–	–	1
Additions	–	–	–	–	34	34
Disposals	(13)	–	(1)	–	(11)	(25)
Translation adjustments	(13)	–	(4)	–	(3)	(20)
At 31 December 2014	2,026	32	653	9	220	2,940
Amortisation and accumulated impairment losses						
At 1 January 2014	(97)	(31)	(520)	(6)	(123)	(777)
Amortisation charge	–	–	(58)	(1)	(25)	(84)
Disposals	3	–	3	–	8	14
Translation adjustments	7	–	2	–	2	11
At 31 December 2014	(87)	(31)	(573)	(7)	(138)	(836)
Carrying amount						
At 1 January 2014	1,955	1	137	3	77	2,173
At 31 December 2014	**1,939**	**1**	**80**	**2**	**82**	**2,104**

2013	Goodwill £m	Trademarks £m	Customer related £m	Technology £m	Other intangibles £m	Total £m
Cost						
At 1 January 2013 – restated	2,158	33	675	6	199	3,071
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	(65)	–	(12)	–	(7)	(84)
At 31 December 2013 – restated	2,052	32	657	9	200	2,950
Amortisation and accumulated impairment losses						
At 1 January 2013 – restated	(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 – restated	(97)	(31)	(520)	(6)	(123)	(777)
Carrying amount						
At 1 January 2013 – restated	2,096	3	200	1	87	2,387
At 31 December 2013 – restated	1,955	1	137	3	77	2,173

18. 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. A significant portion 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 rare circumstances, where market prices can be ascertained (for example through recent transactions or by reference to normal industry standard multiples), the fair value less costs to sell is used as a basis for the recoverable amount. In the current year the value of goodwill in the UK cash business and the Brazil security business was supported by this valuation method.

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 2015) and their strategic plan forecasts for the following two years (in this case the years ended 31 December 2016 and 31 December 2017).

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 2014 the group has revised the calculation of the pre-tax discount rates applied to certain CGU's. This revision adjusts for the current low-interest rate environment by increasing abnormally low pre-tax discount rates. Details of how the other key discount rate inputs are derived are given below:

Input	How determined	31 Dec 2014
Risk-free rate	The risk-free rate is generally obtained from the local government's 10 year gilt/bond rates. Where these are unavailable the group uses the closest available information (e.g. shorter term gilt rates).	2.35% 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.	21% 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 7% in more risky CGUs (e.g. 6.5% in Yemen).	1.5% in UK
Weighted average cost of capital (pre-tax)	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.	8.7% in UK

The table below sets out the pre-tax discount rates and growth rates used for the group's significant countries:

	Discount rate 2014 %	Discount rate 2013 %	**Growth rate* 2014 %**	Growth rate* 2013 %	**Goodwill 2014 £m**	Goodwill 2013 Restated £m
South Africa	**16.3%**	16.0%	**6.7%**	8.5%	**33**	30
Brazil	**20.5%**	18.4%	**7.6%**	8.0%	**92**	98
United States of America	**8.5%**	9.0%	**4.6%**	5.3%	**407**	384
Hong Kong	**7.9%**	9.2%	**7.3%**	7.5%	**41**	38
Malaysia	**10.4%**	10.4%	**7.9%**	7.4%	**39**	40
Estonia	**7.7%**	9.2%	**5.9%**	6.2%	**59**	63
Israel	**8.5%**	10.4%	**5.2%**	1.0%	**34**	36
Netherlands	**7.2%**	8.9%	**2.2%**	3.1%	**140**	150
United Kingdom	**8.7%**	8.6%	**4.0%**	4.3%	**710**	710
Other (all allocated)					**384**	406
Total goodwill					**1,939**	1,955

* Lower of year 5 country growth rate per the IMF and implied year 3 business forecast growth rate.

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 £321m.

18. Intangible assets (continued)

Impairment
There were no impairments recognised during 2014. During the year ended 31 December 2013, impairment charges totaling £46m were recorded in respect of the group's goodwill, in the following countries:

	2013 £m
Democratic Republic of Congo	(4)
Malawi	(2)
Nigeria	(4)
Brazil	(24)
Ireland	(5)
Other impaired	(7)
Total	(46)

The impairment charge in Brazil was driven by losses incurred in the first half of 2013 in the technology business and a general turndown 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 mainly 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 8.7% to 9.7% and 11.7%) or a decrease in growth rates by 1% and 3% (with all other variables being equal, for example, taking the UK growth rate from 4.0% to 3.0% and 1.0%) for the group in total and for each of its significant countries.

			Additional impairment			Additional impairment	
	Goodwill 2014 £m	Base discount rate 2014	1% increase 2014 £m	3% increase 2014 £m	Base growth rate* 2014	1% decrease 2014 £m	3% decrease 2014 £m
South Africa	33	16.3%	–	–	6.7%	–	–
Brazil	92	20.5%	6	16	7.6%	3	7
United States of America	407	8.5%	–	–	4.6%	–	–
Hong Kong	41	7.9%	–	–	7.3%	–	–
Malaysia	39	10.4%	–	–	7.9%	–	–
Estonia	59	7.7%	–	12	5.9%	–	1
Israel	34	8.5%	–	–	5.2%	–	–
Netherlands	140	7.2%	–	–	2.2%	–	–
United Kingdom	710	8.7%	27	72	4.0%	11	33
Other (all allocated)	384		6	17		3	8
Total	1,939		39	117		17	49

* Lower of country growth rate per IMF and implied year 3 business forecast growth rate.

19. Property plant and equipment

2014	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2014	**241**	**993**	**1,234**
Additions	**12**	**98**	**110**
Disposals	**–**	**(140)**	**(140)**
Reclassified as held for sale	**–**	**(5)**	**(5)**
Translation adjustments	**(5)**	**(27)**	**(32)**
At 31 December 2014	**248**	**919**	**1,167**
Depreciation and accumulated impairment losses			
At 1 January 2014	**(79)**	**(671)**	**(750)**
Depreciation charge	**(15)**	**(96)**	**(111)**
Disposals	**6**	**112**	**118**
Reclassified as held for sale	**–**	**3**	**3**
Translation adjustments	**2**	**21**	**23**
At 31 December 2014	**(86)**	**(631)**	**(717)**
Carrying amount			
At 1 January 2014	**162**	**322**	**484**
At 31 December 2014	**162**	**288**	**450**

2013	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2013 – restated	237	980	1,217
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 – restated	241	993	1,234
Depreciation and accumulated impairment losses			
At 1 January 2013 – restated	(77)	(634)	(711)
Depreciation charge	(15)	(108)	(123)
Disposals	8	47	55
Reclassified as held for sale	4	22	26
Translation adjustments	1	2	3
At 31 December 2013 – restated	(79)	(671)	(750)
Carrying amount			
At 1 January 2013 – restated	160	346	506
At 31 December 2013 – restated	162	322	484

19. Property plant and equipment (continued)

The net book value of equipment and vehicles held under finance leases was £34m (2013: £52m). Accumulated depreciation on these assets was £100m (2013: £124m) and the depreciation charge for the year was £14m (2013: £17m).

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 £28m (2013: £26m) of assets leased by the group to third parties under operating leases. Accumulated depreciation on these assets was £110m (2013: £97m) and the depreciation charge for the year was £8m (2013: £7m).

The net book value of land and buildings comprises freeholds of £85m (2013: £73m), long leaseholds of £19m (2013: £20m) and short leaseholds of £58m (2013: £69m).

20. Investment in joint ventures

The following is summarised financial information for the group's interest in immaterial joint ventures, based on the amounts reported in the group's consolidated financial statements:

	2014 **£m**	2013 Restated £m
Carrying amount of interests in joint ventures	**41**	34
Group's share of:		
Profit from continuing operations	**8**	8
Other comprehensive income	**–**	(5)
Total comprehensive income	**8**	3

21. Inventories

	2014 **£m**	2013 Restated £m
Raw materials	**12**	14
Work in progress	**11**	9
Finished goods including consumables	**85**	89
Total inventories	**108**	112

22. Investments

Investments comprise primarily listed securities of £52m (2013: £29m) 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.

23. Trade and other receivables

	Notes	2014 £m	2013 Restated £m
Within current assets			
Trade debtors		**1,129**	1,122
Allowance for doubtful debts		**(50)**	(37)
Other debtors (including tax receivable)		**175**	183
Prepayments and accrued income		**73**	74
Amounts due from construction contract customers	24	**11**	23
Derivative financial instruments at fair value	30	**33**	15
Total trade and other receivables included within current assets		**1,371**	1,380
Within non-current assets			
Derivative financial instruments at fair value	30	**57**	74
Other debtors		**40**	30
Total trade and other receivables included within non-current assets		**97**	104

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 over 110 countries. The group's largest customer is the UK Government which comprises approximately 10% (2013:13%) of the total trade debtor balance as at 31 December 2014. 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:

	2014 £m	2013 Restated £m
At 1 January	**(37)**	(44)
Amounts written off during the year	**4**	20
Increase in allowance	**(17)**	(13)
At 31 December	**(50)**	(37)

The ageing of trade debtors, net of allowance for doubtful debt, is as follows:

	2014 £m	2013 Restated £m
Not yet due	**864**	859
1-30 days overdue	**124**	128
31-60 days overdue	**42**	26
61-90 days overdue	**19**	27
91-180 days overdue	**24**	37
181-365 days overdue	**6**	6
Over 365 days overdue	**–**	2
Net trade debtors	**1,079**	1,085

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 2014 that were overdue for payment was 20% (2013: 21%). The group's DSO measure (days sales outstanding) based on revenue for the last 90 days of the year was 48 days (2013: 49 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.

24. Construction contracts

	Notes	2014 £m	2013 Restated £m
Amounts due from contract customers included in trade and other receivables	23	11	23
Amounts due to contract customers included in trade and other payables	29	(2)	(2)
Net balances relating to construction contracts		9	21
Contract costs incurred plus recognised profits less recognised losses to date		127	287
Less: progress billings		(118)	(266)
Net balances relating to construction contracts		9	21

At 31 December 2014, advances received from customers for contract work amounted to £4m (2013: £4m). There were no material 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.

25. Disposal groups classified as held for sale

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

At 31 December 2013, disposal groups classified as held for sale included the assets and liabilities associated with the group's cash business in Canada and the group's business in Norway, both of which were sold in January 2014. Disposal groups held for sale at 31 December 2013 also included the assets and liabilities associated with the classified US Government Solutions business which was sold in November 2014.

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

	2014 £m	2013 £m
ASSETS		
Goodwill	–	45
Acquisition-related intangible assets	–	1
Property, plant and equipment and intangible assets other than acquisition-related	2	20
Interest in associates	–	12
Trade and other receivables (non-current)	–	10
Deferred tax asset	–	14
Trading investments	–	12
Inventories	–	2
Trade and other receivables (current)	4	89
Cash and cash equivalents	–	15
Total assets classified as held for sale	6	220
LIABILITIES		
Bank loans	(1)	(19)
Trade and other payables	(3)	(93)
Retirement benefit obligations	–	(17)
Deferred tax liability	–	(4)
Total liabilities associated with assets classified as held for sale	(4)	(133)
Net assets of disposal group	2	87

26. 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:

	2014 £m	2013 Restated £m
Cash and cash equivalents	**409**	532
Bank overdrafts	**(18)**	(9)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	**–**	15
Total cash, cash equivalents and bank overdrafts	**391**	538

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 2014 bore interest at a weighted average rate of 0.8% (2013: 0.7%). 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 2014. 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 2014 £300m (2013: £422m) of the cash balances and the equivalent amount of the overdraft balances were offset.

Cash and cash equivalents of £26m (2013: £39m) 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.

27. Bank overdrafts, bank loans and loan notes

	2014 £m	2013 Restated £m
Bank overdrafts	**18**	9
Bank loans	**165**	167
Loan notes*	**1,899**	1,982
Total bank overdrafts, bank loans and loan notes	**2,082**	2,158
The borrowings are repayable as follows:		
On demand or within one year	**174**	97
In the second year	**129**	95
In the third to fifth years inclusive	**1,648**	1,392
After five years	**131**	574
Total bank overdrafts, bank loans and loan notes	**2,082**	2,158
Less: Amount due for settlement within 12 months (shown under current liabilities):		
Bank overdrafts	**(18)**	(9)
Bank loans	**(60)**	(27)
Loan notes	**(96)**	(61)
	(174)	(97)
Amount due for settlement after 12 months	**1,908**	2,061

* Loan notes includes £687m (2013: £716m) of private loan notes and £1,212m (2013: £1,266m) of public loan notes.

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27. Bank overdrafts, bank loans and loan notes (continued)

Analysis of bank overdrafts, bank loans and loan notes by currency:

	Sterling £m	Euros £m	US Dollars £m	Others £m	Total £m
Bank overdrafts	**1**	**3**	**14**	**–**	**18**
Bank loans	**48**	**–**	**108**	**9**	**165**
Loan notes	**419**	**858**	**622**	**–**	**1,899**
At 31 December 2014	**468**	**861**	**744**	**9**	**2,082**
Bank overdrafts	1	5	3	–	9
Bank loans	–	37	80	50	167
Loan notes	419	915	648	–	1,982
At 31 December 2013 – restated	420	957	731	50	2,158

Of the borrowings in currencies other than sterling, £926m (2013: £1,014m) is designated as a net investment hedge.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2014 adjusted for hedging were as follows:

	2014 %	2013 %
Bank overdrafts	**0.9**	1.1
Bank loans	**2.3**	3.5
Private loan notes	**4.3**	4.2
Public loan notes	**4.1**	4.2

At 31 December 2014, the group's committed bank borrowings comprised a £1.1bn multi-currency revolving credit facility with a maturity date of March 2016. At 31 December 2014, undrawn committed available facilities amounted to £998m (2013: £965m). 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.

In January 2015 the revolving credit facility was refinanced. The new facility is £1.0bn and matures in January 2020, with two one-year extension options exercisable with lending bank consent on the facility's first and second anniversary. If exercised the maturity date would extend to January 2021 and January 2022 respectively.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 31.

The group issued fixed rate loan notes in the US Private Placement market totalling US$550m (£353m) on 1 March 2007. $100m of these notes matured and were repaid on 1 March 2014, with the remaining notes maturing in 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 (£329m) and £69m on 15 July 2008. $65m of these 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 of non-acquisition related intangible assets) 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 2014 and the year to 31 December 2013. 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 (with the exception of £44m), €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, £44m of the loan notes issued in July 2008, the loan notes issued in May 2009, €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 (£128m) of the loan notes issued in July 2008 have a fair value market gain of £28m (2013: gain £21m) 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 (£252m) of the loan notes issued in May 2012 have a fair value market loss of £14m (2013: gain £5m) predominately 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 (£272m) of the loan notes issued in December 2012 have a fair value market loss of £5m (2013: gain £16m) predominately 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.

28. Obligations under finance leases

	Minimum lease payments 2014 £m	Minimum lease payments 2013 Restated £m	**Present Value of minimum lease payments 2014 £m**	Present value of minimum lease payments 2013 Restated £m
Amounts payable under finance leases:				
Within one year	**16**	23	**14**	21
In the second to fifth years inclusive	**29**	31	**24**	28
After five years	**3**	3	**2**	3
	48	57	**40**	52
Less: future finance charges on finance leases	**(8)**	(5)		
Present value of lease obligations	**40**	52		
Less: amount due for settlement within 12 months (shown under current liabilities)			**(14)**	(21)
Amount due for settlement after 12 months			**26**	31

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is seven years. For the year ended 31 December 2014, the weighted average effective borrowing rate was 8.2% (2013: 7.3%). 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.

29. Trade and other payables

	Notes	**2014 £m**	2013 Restated £m
Within current liabilities:			
Trade creditors		**185**	209
Amounts due to construction contract customers	24	**2**	2
Other taxation and social security costs		**185**	200
Holiday pay accruals		**318**	313
Other creditors		**108**	132
Accruals and deferred income		**280**	308
Derivative financial instruments at fair value	30	**25**	2
Total trade and other payables included within current liabilities		**1,103**	1,166
Within non-current liabilities:			
Derivative financial instruments at fair value	30	**12**	2
Other creditors		**11**	11
Total trade and other payables included within non-current liabilities		**23**	13

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2013: 36 days).

30. Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Cross currency swaps designated as cash flow hedges	28	42	19	–
Interest rate swaps designated as cash flow hedges	–	–	1	2
Interest rate swaps designated as fair value hedges	61	46	12	1
Foreign exchange forward transactions	1	–	–	–
Commodity swaps	–	1	5	1
	90	89	37	4
Less: non-current portion	(57)	(74)	(12)	(2)
Current portion	33	15	25	2

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 £32m during the year.

The interest rate, cross currency, foreign exchange and commodity swaps treated as cash flow hedges have the following maturities:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	1	4	1
In the second year	–	16	2	–
In the third year	–	–	14	2
In the fourth year	7	5	5	–
In the fifth year or greater	–	21	–	–
Total carrying value	28	43	25	3

The projected settlement of cash flows (including accrued interest) associated with derivatives treated as cash flow hedges:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	22	1	9	6
In the second year	–	16	6	4
In the third year	–	–	7	4
In the fourth year	7	11	1	–
In the fifth year or greater	–	26	–	–
Total cash flows	29	54	23	14

31. Financial risk

Capital management

Post the year end the group refinanced its £1.1bn multi-currency revolving credit facility with a £1.0bn facility that was signed on 7 January 2015. The new facility is for five years with two extension options exercisable by the banks that potentially results in the facility having a life of seven years.

In August 2014, Standard & Poor's confirmed the group's long term credit rating of BBB- Stable. The group will 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 of less than 2.5 times. At the end of 2014 the ratio was 2.8 times which reflects the Electronic Monitoring contract settlement. The ratio is expected to steadily decline as the benefits from the restructuring and business transformation programmes take effect.

At 31 December 2014 the group had £998m of available and undrawn facilities from its committed £1.1bn bank facility. Following the successful refinancing of its committed bank facility in January 2015, the group has no significant maturity until May 2017 and has a medium to long-term debt maturity profile. The group is currently well placed to access finance from the debt capital markets and the bank market if required. 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 27.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2013	32%
31 March 2014	32%
30 June 2014	33%
30 September 2014	32%
31 December 2014	34%

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.

31. Financial risk (continued)

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 2014	Notes	Carrying Amount	Fair Value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
Investments	22	60	60	60	60	–	–
Derivative financial instruments (interest rate swaps)	30	49	49	65	18	43	4
Financial assets designated at fair value through profit or loss		**109**	**109**	**125**	**78**	**43**	**4**
Derivative financial instruments (foreign exchange forwards)	30	1	1	1	1	–	–
Derivative financial instruments (cross currency swaps)	30	28	28	28	21	7	–
Financial assets designated as cash flow hedges		**29**	**29**	**29**	**22**	**7**	**–**
Net trade receivables	23	1,079	1,079	1,079	1,079	–	–
Cash and cash equivalents	26	409	409	409	409	–	–
Loans and receivables		**1,488**	**1,488**	**1,488**	**1,488**	**–**	**–**
Loan notes (issued May 2009, 7.75%, maturing 2019)	27	(354)	(354)	(486)	(27)	(459)	–
Loan notes (issued March 2007, 5.86%-6.06%, maturing 2014-22)	27	(330)	(330)	(363)	(17)	(268)	(78)
Financial liabilities designated as fair value hedges		**(684)**	**(684)**	**(849)**	**(44)**	**(727)**	**(78)**
Derivative financial instruments (cross currency swaps)	30	(19)	(19)	(17)	(4)	(13)	–
Derivative financial instruments (interest rate swaps)	30	(1)	(1)	(1)	(1)	–	–
Derivative financial instruments (commodity swaps)	30	(5)	(5)	(5)	(4)	(1)	–
Financial liabilities designated as cash flow hedges		**(25)**	**(25)**	**(23)**	**(9)**	**(14)**	**–**
Loan notes (issued July 2008, 6.09%-7.56%, maturing 2015-20)*	27	(357)	(385)	(439)	(121)	(267)	(51)
Loan notes (issued May 2012, 2.875%, maturing 2017)*	27	(467)	(478)	(506)	(13)	(493)	–
Loan notes (issued December 2012, 2.625%, maturing 2018)*	27	(391)	(399)	(429)	(10)	(419)	–
Bank loans	27	(165)	(165)	(165)	(60)	(105)	–
Overdrafts	27	(18)	(18)	(18)	(18)	–	–
Finance lease liabilities	28	(40)	(40)	(40)	(14)	(24)	(2)
Trade payables	29	(185)	(185)	(185)	(185)	–	–
Other liabilities	29	(11)	(11)	(11)	–	(11)	–
Financial liabilities measured at amortised cost		**(1,634)**	**(1,681)**	**(1,793)**	**(421)**	**(1,319)**	**(53)**

* £44m of July 2008 loan notes, €90m (£70m) of May 2012 loan notes and €120m (£93m) of December 2012 loan notes are recorded at fair value through profit or loss.

31 December 2013	Notes	Carrying Amount Restated	Fair Value Restated	Total contractual cash flows Restated	Within 1 year Restated	2-5 years Restated	Over 5 years Restated
Investments	22	39	39	39	39	–	–
Derivative financial instruments (interest rate swaps)	30	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)	30	1	1	1	1	–	–
Derivative financial instruments (cross currency swaps)	30	42	42	42	(3)	45	–
Financial assets designated as cash flow hedges		43	43	43	(2)	45	–
Net trade receivables	23	1,085	1,085	1,085	1,085	–	–
Cash and cash equivalents	26	532	532	532	532	–	–
Loans and receivables		1,617	1,617	1,617	1,617	–	–
Loan notes (issued March 2007, 5.77%-6.06%, maturing 2014-22)	27	(377)	(377)	(420)	(78)	(175)	(167)
Derivative financial instruments (interest rate swaps)	30	(1)	(1)	(1)	1	(2)	–
Financial liabilities designated as fair value hedge		(378)	(378)	(421)	(77)	(177)	(167)
Derivative financial instruments (interest rate swaps)	30	(2)	(2)	(3)	(2)	(1)	–
Derivative financial instruments (commodity swaps)	30	(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)	27	(340)	(381)	(418)	(23)	(344)	(51)
Loan notes (issued May 2009, 7.75%, maturing 2019)	27	(350)	(376)	(513)	(27)	(109)	(377)
Loan notes (issued May 2012, 2.875%, maturing 2017)*	27	(500)	(508)	(556)	(14)	(542)	–
Loan notes (issued December 2012, 2.625%, maturing 2018)*	27	(415)	(410)	(471)	(11)	(460)	–
Bank loans	27	(167)	(167)	(167)	(27)	(140)	–
Overdrafts	27	(9)	(9)	(9)	(9)	–	–
Finance lease liabilities	28	(52)	(52)	(52)	(21)	(28)	(3)
Trade payables	29	(209)	(209)	(209)	(209)	–	–
Other liabilities	29	(11)	(11)	(11)	–	(11)	–
Financial liabilities measured at amortised cost		(2,053)	(2,123)	(2,406)	(341)	(1,634)	(431)

The gross cash flows disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes and which are usually not closed out before contractual maturity. The disclosure shows net cash flow amounts 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 (£75m) of May 2012 loan notes and €120m (£100m) of December 2012 loan notes are recorded at fair value through profit or loss.

31. Financial risk (continued)

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 2014, the group's US dollar and Euro net assets were approximately 78% and 74% respectively hedged by foreign currency loans (2013: US dollar 82%, Euro 59%).

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 £6m.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 27 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 2014 the nominal value of such contracts was £103m (in respect of US dollar) (2013: £97m) and £54m (in respect of Euro) (2013: £37m); their weighted average interest rate was 1.3% (US dollar) (2013: 1.3%) and 0.6% (Euro) (2013: 2.8 %), and their weighted average period to maturity was three 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 preferring 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 GBP 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 initially kept at fixed rate. In April 2014, the interest rate on £44m of the US Private Placement notes issued in July 2008 and on all the GBP public notes issued in May 2009 was swapped from fixed to floating for a period of three years using derivatives.

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 2014 debt position constant throughout 2015, would lead to an expectation of an additional interest charge of £11m in the 2015 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 23 million litres of projected 2015 diesel consumption and 10 million litres of projected 2016 diesel consumption were in place at 31 December 2014.

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 2014 the largest two counterparty exposures related to treasury transactions were £33m and £21m and both were held with institutions with a long-term Standard & Poor's credit rating of A. These exposures represent 43% and 27% 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 2014.

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 £300m were pooled with debit balances of £301m, resulting in a net pool overdraft balance of £1m. 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.

32. 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 £96m (2013: £99m).

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.

The group disposed of its interest in G4S Government Solutions, Inc. during the year. G4S Government Solutions, Inc. was the administrator of several defined benefit schemes and was 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 were accounted for as defined contribution schemes up until the date of disposal in November 2014.

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 111.7% (December 2014). The required solvency ratio according to Dutch law is 122.3% (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.

32. Retirement benefit obligations (continued)

Premiums paid to the scheme by the group and charged to the income statement in 2014 totalled £7m (2013: £8m). The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2015 in respect of the on-going accrual of benefits is approximately £8m including allowance for members of the Securicor Staff Pension Plan who have now joined this multi-employer plan. The premium that the IWPF received in 2014 is not yet available, in 2013 this amounted to €57.4m of which approximately €8m was paid by the group and €5m by G4S employees. The total number of employees is approximately 22,500 at the end of 2013. The number of employees working for the group is approximately 5,000 as at 31 October 2014.

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.

During 2014 the assets and past and future service liabilities of the Netherlands Securicor Staff Pension Plan were transferred to the Security Industry Wide Fund. This led to a settlement gain of €26m (£21m).

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 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.

The amounts recognised in the income statement in relation to the material funded schemes are included within the following categories:

	2014 £m	2013 £m
Amounts recognised in the income statement:		
Cost of sales	**(8)**	(5)
Administration expenses	**(2)**	(2)
Specific items	**21**	–
Net finance costs	**(20)**	(20)
Total for material funded defined benefit schemes	**(9)**	(27)

There are also various less material unfunded arrangements, for these the group does not hold related assets separate from the group.

In aggregate, other unfunded arrangements incurred £1m of cost of sales, £2m finance costs and included a £5m actuarial loss recognised in other comprehensive income.

During the year, the unfunded severance scheme liability of £13m in Saudi Arabia was re-classified from employee benefits provisions into retirement benefits obligation.

The defined benefit obligation (DBO), assets and balance sheet provisions for defined benefit schemes are as follows:

2014	**DBO £m**	**Assets £m**	**Provision £m**
UK	**(2,222)**	**1,983**	**(239)**
Netherlands	**(73)**	**48**	**(25)**
Other	**(9)**	**9**	**–**
Total for material funded defined benefit schemes	**(2,304)**	**2,040**	**(264)**
Total provision for unfunded and other funded defined benefit schemes			**(55)**
Total provision for all defined benefit schemes			**(319)**

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)

UK Defined Benefit Scheme

The defined benefit scheme in the UK accounts for 91% 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	–	47.1	–	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 18 years (Group 4 section), 20 years (GSL section) and 19 years (Securicor section). As at 31 December 2013 the discounted weighted average duration of the accrued liabilities of the sections were 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 £44m during 2015. 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 2014, 2015, 2016 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 next valuation will have an effective date of 5 April 2015.

Other material Defined Benefit Schemes

Apart from the multi-employer scheme referred to above, the group operated 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.

During 2014 the assets and past and future service liabilities of the Netherlands Securicor Staff Pension Plan were transferred to the Security Industry Wide Fund. This led to a settlement gain of €26m (£21m).

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.

32. Retirement benefit obligations (continued)

During the year the plan was amended to decrease the annual accrual rate from 2.00% to 1.87% for future service benefits. This resulted in a past service credit of £1m that has been recognised as a specific item in the group's consolidated income statement.

The discounted weighted average duration of the accrued liabilities of the Cash Solutions scheme is 31 years (2013: 28 years).

In 2013 the group had a material scheme in Canada. The sponsoring business sold on 17 January 2014 and the entire liabilities and assets of the scheme are now the responsibility of the purchaser.

Expected contributions

The estimated amounts of contributions expected to be paid to the material schemes during the financial year commencing 1 January 2015 in respect of the ongoing accrual of benefits should be approximately £6m (split £5m UK, £1m Netherlands) and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions.

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	Netherlands
Key assumptions used at 31 December 2014		
Discount rate	**3.7%**	**2.3%**
Expected rate of salary increases	**3.1%**	**1.8%**
Pension increases in payment (for the UK, at RPI* with a limit of 5% p.a.)	**2.8%**	**1.1%**
Inflation	**3.0%**	**1.8%**
Key assumptions used at 31 December 2013		
Discount rate	4.4%	3.7%
Expected rate of salary increases	3.5%	2.0%
Pension increases in payment (for the UK, at RPI with a limit of 5% p.a.)	3.2%	1.4%
Inflation	3.4%	2.0%

* The CPI assumption used for the UK valuation in 2014 was 2%.

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.

Assumptions and sensitivities (continued)
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 2014 £m	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
Discount rate assumption being 0.5% higher	(186)	(163)
Discount rate assumption being 0.5% lower	211	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 2014 £m	Increase/(decrease) in the DBO of the UK Scheme 2013 £m
Inflation assumption being 0.5% higher	87	79
Inflation assumption being 0.5% lower	(80)	(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 22 years. The assumed life expectancy at 65 of a male currently aged 52 is 23 years. At those ages, the assumed life expectancy for a female member is between 2 and 3 years longer 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 £105m (2013: £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.

32. Retirement benefit obligations (continued)

The amounts recognised on the balance sheet in respect of the material funded defined benefit schemes and the various components of income, OCI and cash flow are as follows:

2014	DBO £m	Assets £m	Provision £m
Amounts recognised on the balance sheet at beginning of the year	(2,132)	1,660	(472)
Amounts recognised in income			
Current service cost	(8)	–	(8)
Settlements and past service costs	80	(59)	21
Interest on obligations and assets	(92)	72	(20)
Administration costs paid from plan assets	–	(2)	(2)
Total amounts recognised in income	(20)	11	(9)
Remeasurements			
Actuarial loss – change in financial assumptions	(231)	–	(231)
Actuarial loss – change in demographic assumptions	(2)	–	(2)
Actuarial gain – experience	4	–	4
Return on assets in excess of interest	–	392	392
Remeasurement effects recognised in OCI*	(229)	392	163
Cash			
Employer contributions	–	50	50
Employee contributions	(4)	4	–
Benefits paid from plan assets	72	(72)	–
Net cash	68	(18)	50
Other			
Exchange rates	9	(5)	4
Amounts recognised on the balance sheet at end of the year	(2,304)	2,040	(264)

* Total remeasurements recognised in OCI of £155m are shown net of remeasurements relating to non-controlling interests of £3m and other unfunded schemes of £5m.

2013	DBO £m	Assets £m	Total £m
Amounts recognised on the balance sheet at beginning of the year	(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 year	(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 is presented in the 'Transfers in' line of the above breakdown.

The contribution from sponsoring companies in 2014 included £42m (2013: £38m) of additional contributions in respect of the deficit in the UK schemes.

32. Retirement benefit obligations (continued)

The composition of the scheme assets at the reporting date is as follows:

2014	**UK £m**	**Netherlands £m**	**Total £m**
Equity	**491**	**9**	**500**
Bonds	**351**	**39**	**390**
Other	**1,141**	**–**	**1,141**
Total	**1,983**	**48**	**2,031**

2013	UK £m	Netherlands £m	Total £m
Equity	413	25	438
Bonds	63	44	107
Other	1,086	19	1,105
Total	1,562	88	1,650

A more detailed split of assets of the UK scheme at 31 December 2014 is presented in the table below:

	2014 £m	2013 £m
Equity	**424**	367
Private equity	**67**	46
Government bonds	**351**	63
Credit	**283**	274
Property	**57**	42
Macro-oriented	**278**	296
Multi-strategy	**55**	48
Derivatives	**263**	15
Cash and cash equivalents	**205**	411
	1,983	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.

33. Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims provisions £m	Contract provisions £m	Total £m
At 1 January 2014	26	33	57	143	259
Additional provision in the year	29	33	54	53	169
Utilisation of provision	(16)	(49)	(24)	(128)	(217)
Unused amounts reversed	(3)	–	–	(5)	(8)
Transfers and reclassifications	(13)	1	2	2	(8)
Translation adjustments	–	(1)	2	(1)	–
At 31 December 2014	23	17	91	64	195
Included in current liabilities					90
Included in non-current liabilities					105
					195

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.

During 2014 a liability of £13m relating to the severance scheme in Saudi Arabia was reclassified to retirement benefit obligations to more accurately reflect the substance of the scheme and to allow for IAS19(R) accounting.

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. In the year the group incurred restructuring costs of £29m within specific items relating to the group wide transformation and a further £4m associated with costs incurred in the normal course of business.

Claims provision
Claims provisions represent any outstanding litigation claims against the group that are likely to lead to the outflow of funds in the future, including provisions within the captive insurance companies to cover (where appropriate) anticipated claims incurred as at the balance sheet date, based on actuarial assessments to calculate the liabilities.

Legal claims are recognised based on past experience of similar items and other known factors and represent management's best estimate of the likely outcome. In the year the group provided £21m in relation to claims on legacy acquisitions and disposals.

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. In the year the group provided £19m in relation to these claims. 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. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

Contract provisions are based on the present value of future net cash outflows and includes £45m of provisions for legacy UK government contracts that were recorded in the year within specific items. The group are continuing to work with the relevant customers to recover these potential losses.

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 is included in utilisation of provisions, having been provided for 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.

34. 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 2014	**99**	**(42)**	**30**	**62**	**149**
(Charge)/credit to the income statement	**(3)**	**26**	**11**	**13**	**47**
Disposal of subsidiaries	**–**	**4**	**–**	**(19)**	**(15)**
(Charge)/credit to equity	**(32)**	**–**	**–**	**6**	**(26)**
Transfers/other	**–**	**–**	**–**	**4**	**4**
At 31 December 2014	**64**	**(12)**	**41**	**66**	**159**
At 1 January 2013 – restated	104	(61)	28	56	127
(Charge)/credit to the income statement	(5)	20	2	15	32
Acquisition of subsidiaries	–	(3)	–	2	(1)
Credit to equity	–	–	–	(4)	(4)
Translation adjustments	–	2	–	(4)	(2)
Transfers/other	–	–	–	(3)	(3)
At 31 December 2013 – restated	99	(42)	30	62	149

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset):

	2014 £m	2013 Restated £m
Deferred tax liabilities	**(17)**	(45)
Deferred tax assets	**176**	184
Net deferred tax asset included in held for sale	**–**	10
Total deferred tax position	**159**	149

At 31 December 2014, the group had unutilised tax losses of approximately £771m (2013: £705m) potentially available for offset against future profits. A deferred tax asset of £41m (2013: £30m) has been recognised in respect of approximately £166m (2013: £120m) of gross losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining £605m (2013: £585m) 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 £19m which will expire between 2015 and 2024. Other losses may be carried forward indefinitely.

At 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,102m (2013: £1,220m). 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 2014, the group had total unprovided contingent tax liabilities of approximately £53m (2013: £58m) relating to unresolved tax issues in various jurisdictions.

35. Share capital

G4S plc	2014 £	2013 £
Issued and fully paid ordinary shares of 25p each	**387,898,609**	387,898,609

Ordinary shares in issue	2014 Number	2013 Number
At 1 January 2014	**1,551,594,436**	1,410,668,639
New shares issued for cash	–	140,925,797
At 31 December 2014	**1,551,594,436**	1,551,594,436

In August 2013 the group issued 140,925,797 ordinary shares as a result of the 9.99% placing. The group received gross proceeds of £348m and paid related costs of £5m.

36. Other reserves

	Hedging reserve £m	Translation reserve £m	Merger reserve £m	Reserve for own shares £m	Total other reserves £m
At 1 January 2014	**(21)**	**(59)**	**734**	**(18)**	**636**
Total comprehensive loss attributable to equity shareholders of parent	**(31)**	**(5)**	–	–	**(36)**
Transfer to retained earnings	–	–	**(308)**	–	**(308)**
Recycling of translation reserves on disposal	–	**(13)**	–	–	**(13)**
At 31 December 2014	**(52)**	**(77)**	**426**	**(18)**	**279**
At 1 January 2013 – restated	(34)	50	426	(20)	422
Total comprehensive income/(loss) attributable to equity shareholders of parent	13	(109)	–	–	(96)
Shares issued	–	–	308	–	308
Own shares awarded	–	–	–	2	2
At 31 December 2013 – restated	(21)	(59)	734	(18)	636

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 accordance with Section 612 of the Companies Act 2006 the £308m premium on ordinary shares issued in the group's 9.99% share placement in August 2013 was initially recorded in the merger reserve, and has subsequently been transferred to retained earnings.

Reserve for own shares

An employee benefit trust established by the group held 6,408,450 shares at 31 December 2014 (2013: 6,934,564 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 526,114 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2014, the cost of shares held by the trust was £17,060,185 (2013: £18,460,753), whilst the market value of these shares was £17,809,083 (2013: £18,203,231). 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.

37. Analysis of net debt

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

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

An analysis of movements in net debt in the year is presented below:

	2014 £m	2013 Restated £m
(Decrease)/increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	(136)	127
(Purchase)/sale of investments	17	(13)
Movement in debt and lease financing	110	197
Change in net debt resulting from cash flows	(9)	311
Borrowings acquired with subsidiaries	–	(4)
Net additions to finance leases	(9)	(12)
Movement in net debt in the year	(18)	295
Translation adjustments	(8)	(18)
Net debt at the beginning of the year	(1,552)	(1,829)
Net debt at the end of the year	(1,578)	(1,552)

38. Operating lease arrangements

The group as lessee

As at 31 December 2014, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2014 £m	2013 Restated £m
Within one year	105	121
In the second to fifth years inclusive	231	285
After five years	151	198
Total operating lease commitments	487	604

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 £6m (2013: £10m).

39. Share based payments

In June 2014 a new long-term incentive plan replaced the previous performance share plan (the performance share plans), as detailed in the Directors' remuneration report from page 70. Shares allocated conditionally fall under either the group's performance share plans or the group's performance-related bonus scheme. 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 group's performance share plans 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 on the third anniversary of the date the shares were allocated conditionally.

The number of shares allocated conditionally is as follows:

	Performance-related bonus scheme 2014 Number	**Share award 2014 Number**	**Total 2014 Number**	Performance-related bonus scheme 2013 Number	Share award 2013 Number	Total 2013 Number
Outstanding at 1 January	**375,734**	**16,033,822**	**16,409,556**	812,200	15,589,225	16,401,425
Allocated during the year	**275,928**	**8,739,114**	**9,015,042**	58,026	7,385,392	7,443,418
Transferred during the year	**(388,305)**	**(137,809)**	**(526,114)**	(494,492)	(161,948)	(656,440)
Forfeited during the year	**(25,863)**	**(2,219,929)**	**(2,245,792)**	–	(2,546,129)	(2,546,129)
Expired during the year	**–**	**(5,018,721)**	**(5,018,721)**	–	(4,232,718)	(4,232,718)
Outstanding at 31 December	**237,494**	**17,396,477**	**17,633,971**	375,734	16,033,822	16,409,556

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2014 was 17 months (2013: 16 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 240.3p (2013: 291.7p) and the contractual life of all conditional allocations was three years.

Under the group's performance share plans, the vesting of 30% (2013: 50%) of the shares allocated conditionally depends upon Total Shareholder Return (a market performance condition) over the vesting year 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 2014 was £5m (2013: £nil).

40. 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 £48m (2013 restated: £43m). Amounts due to related parties include £30m (2013 restated: £25m) to joint ventures and £2m (2013 restated: £2m) to associates. Amounts due from related parties include £37m (2013 restated: £30m) from joint ventures and £1m (2013 restated: £nil) from associates.

No expense has been recognised in the year for bad and doubtful debts in respect of amounts owed by related parties.

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:

	2014 Services/sales to £m	2013 Services/sales to £m
White Horse Education Partnership Limited	2	2
Integrated Accommodation Services plc	48	39
Fazakerley Prison Services Limited	36	33
Onley Prison Services Limited	15	14
ECD Cookham Wood Limited	12	12
ECD Onley Limited	13	13
Stratus Integrated Services Limited	8	8
UK Court Services (Manchester) Limited	2	2
East London Lift Company Limited	1	1
Total	137	124

The group had outstanding balances of £14m (2013: £9m) with these entities as at 31 December 2014.

Transactions with post-employment benefit schemes
Details of transactions with the group's post-employment benefit schemes are provided in note 32. Unpaid contributions owed to schemes amounted to £0.5m at 31 December 2014 (2013: £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 70 to 84.

	2014 £	2013 £
Short-term employee benefits	10,813,463	10,887,469
Post-employment benefits	155,178	217,937
Other long-term benefits	48,087	56,682
Share-based payment	2,886,813	931,197
Total	13,903,541	12,093,285

41. Events after the balance sheet date

In January 2015 the revolving credit facility was refinanced. The new facility is £1,000 million and matures in January 2020, with two one year extension options exercisable with majority lending bank consent on the facility's first and second anniversary. If exercised the maturity date would extend to January 2021 and January 2022 respectively.

No other significant post-balance sheet events have affected the group since 31 December 2014.

42. Significant investments

The companies listed below are those which were part of the group at 31 December 2014 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 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 Facilities Management (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 Services (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, 3]	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	100%
G4S Kenya Limited	S+C	Kenya	100%
G4S Security Solutions S.A.R.L	S+C	Luxembourg	100%
Safeguards G4S Sdn Bhd[2, 3]	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
G4S Beheer BV	S	Netherlands	100%
G4S Peru S.A.C.	S+C	Peru	100%
Al Majal Service Master LLC	S	Saudi Arabia	49%
G4S Cash Solutions (SA) (Pty) Limited	C	South Africa	75%
G4S Secure Solutions (SA) (Pty) Limited	S	South Africa	72%
G4S Secure Solutions (Thailand) Limited	S	Thailand	100%
G4S Secure Solutions (USA) Inc.	S	USA	100%
G4S Technology LLC	S	USA	100%
G4S Youth Services LLC	S	USA	100%

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. 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 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Intangible assets	(b)	9	11
Investments	(c)	3,045	3,055
		3,054	3,066
Currents assets			
Debtors	(d)	2,898	2,992
Cash at bank and in hand		1	56
		2,899	3,048
Creditors – amounts falling due within one year			
Bank overdraft (unsecured)		–	(5)
Borrowings (unsecured)	(e)	(96)	(61)
Other creditors	(f)	(2,931)	(2,856)
		(3,027)	(2,922)
Net current assets		(128)	126
Total assets less current liabilities		2,926	3,192
Creditors – amounts falling due after more than one year			
Borrowings (unsecured)	(e)	(943)	(1,040)
Net assets		1,983	2,152
Capital and reserves			
Called up share capital	35	388	388
Share premium and reserves	(i)	1,595	1,764
Equity shareholders' funds		1,983	2,152

The parent company financial statements were approved by the board of directors and authorised for issue on 26 March 2015.

They were signed on its behalf by:

Ashley Almanza
Director

Himanshu Raja
Director

Parent company reconciliation of movement in equity shareholders' funds

For the year ended 31 December 2014

	2014 £m	2013 £m
(Accumulated loss)/retained profit for the year	**(43)**	15
Changes in fair value of hedging derivatives	**8**	(8)
Shares issued	**–**	343
Dividends declared	**(138)**	(130)
Equity settled transactions	**5**	–
Tax on equity movements	**(1)**	2
Net (decrease)/increase in shareholders' funds	**(169)**	222
Opening equity shareholders' funds	**2,152**	1,930
Closing equity shareholders' funds	**1,983**	2,152

(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 s408 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 32 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

FRS 100 'Application of Financial Reporting Standards', FRS 101 'Reduced Disclosure Framework' and FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. FRS 100 sets out the application of financial reporting requirements in the UK and Republic of Ireland and FRS 101 'IFRS with reduced disclosures' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. FRS 102 is applicable in the UK and Republic of Ireland and is known as 'new UK GAAP'. The mandatory effective date for the new framework of reporting is for accounting periods beginning on or after 1 January 2015. In the absence of material objections, the company intends to adopt FRS 101 ('IFRS with reduced disclosures').

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 2014	**13**
At 31 December 2014	**13**
Amortisation	
At 1 January 2014	**(2)**
Amortisation charge	**(2)**
At 31 December 2014	**(4)**
Net book value	
At 1 January 2014	**11**
At 31 December 2014	**9**

(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 2014	**3,055**
Additions	**19**
Impairments	**(29)**
At 31 December 2014	**3,045**

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 42 to the consolidated financial statements.

(D) Debtors

	2014 £m	2013 £m
Amounts owed by group undertakings	**2,807**	2,918
Other taxation and social security costs	**1**	–
Other debtors	**6**	8
Derivative financial instruments at fair value	**84**	66
Total debtors	**2,898**	2,992

Included within derivative financial instruments at fair value is £53m due after more than one year (2013: £52m). See note (g) for further details.

Included in other debtors is £1m (2013: £1m) with regard to deferred tax comprised as follows:

	2014 £m	2013 £m
Timing differences in relation to the performance share plan and deferred share awards	**1**	–
Changes in fair value of hedging derivatives	**–**	1
Total deferred tax	**1**	1

The reconciliation of deferred tax balances is as follows:

	Total £m
At January 2014	**1**
Credited to profit and loss in relation to the performance share plan and deferred share awards	**1**
Charged to equity in relation to changes in fair value of hedging derivatives	**(1)**
At 31 December 2014	**1**

(E) Borrowings (unsecured)

	2014 £m	2013 £m
Sterling	422	419
Euro	–	37
US dollar	617	645
Total unsecured borrowings	1,039	1,101

The payment profile of the unsecured borrowings is as follows:

	2014 £m	2013 £m
Repayable within one year	96	61
Repayable within two to five years	813	469
Repayable after five years	130	571
Total unsecured borrowings	1,039	1,101

Undrawn committed facilities mature as follows:

	2014 £m	2013 £m
Within one year	998	–
Within two to five years	–	965
Total undrawn committed facilities	998	965

Borrowings, £1,039m, consist entirely of fixed rate loan notes (2013: £1,064m). The loan notes issued in July 2008 (with the exception of £44m) are stated at amortised cost. The loan notes issued in March 2007, £44m of the loan notes issued in July 2008 and the loan notes issued in May 2009 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 (£128m) of the loan notes issued in July 2008 have a fair value market gain of £28m (2013: £21m). The fair value of the remaining notes approximates to their book value.

The management of interest rate risk is detailed in note (h). There were no financial liabilities upon which no interest is paid.

(F) Other creditors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed to group undertakings	2,903	2,821
Other taxation and social security costs	–	4
Other creditors	2	1
Accruals and deferred income	15	29
Derivative financial instruments at fair value	11	1
Total creditors – amounts falling due within one year	2,931	2,856

(G) Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Cross currency swaps designated as cash flow hedges	28	21	–	–
Interest rate swaps designated as cash flow hedges	–	–	–	1
Interest rate swaps designated as fair value hedges	56	45	11	–
	84	66	11	1
Less: amounts falling due after more than one year	(53)	(52)	–	–
Amounts falling due within one year	31	14	11	1

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 increased by £8m (2013: decreased £33m) during the year.

The interest rate, cross currency and commodity swaps treated as cash flow hedges have the following maturities:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	–	–	1
In the second year	–	15	–	–
In the fourth year	7	–	–	–
In the fifth year or greater	–	6	–	–
Total carrying value	28	21	–	1

Projected settlement of cash flows (including accrued interest) associated with derivatives:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Within one year	21	–	–	1
In the second year	–	16	–	–
In the fourth year	7	–	–	–
In the fifth year or greater	–	5	–	–
Total cash flows	28	21	–	1

(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

The company is exposed to interest rate risk, which the company manages within policy limits approved by the directors. When fixed/floating interest rate debt in the preferred mix is unavailable directly from investors, interest rate swaps are utilised to create the desired blend and meet Treasury policy, with the proportion of fixed interest rate held reducing on a sliding scale over forward periods up to a maximum of five years. 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.

(H) Financial risk (continued)

The US Private Placement market is predominantly a fixed rate market, with investors preferring 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 and the GBP public notes issued in May 2009, was initially kept at fixed rate. In April 2014, the interest rate on £44m of the US Private Placement notes issued in July 2008 and on all the GBP public notes issued in May 2009 was swapped from fixed to floating for a period of three years using derivatives.

The GBP 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 company borrowings are held in US dollar and sterling. Although the impact of rising interest rates is largely shielded by fixed rate loans some interest rate risk remains on the element swapped to floating. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2014 debt position constant throughout 2015, would lead to an expectation of an additional interest charge of £7m in the 2015 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. The company will no longer perform this market intermediary role from January 2015.

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 2014 the largest two counterparty exposures relating to treasury transactions were £33m and £20m and both were held with institutions with a long-term Standard & Poor's credit rating of A. These exposures represent 45% (2013: 42%) and 27% (2013: 30%) 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 2014.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an A 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 January 2014	258	308	1,216	(18)	1,764
Accumulated loss	–	–	(43)	–	(43)
Changes in fair value of hedging derivatives	–	–	8	–	8
Dividends declared	–	–	(138)	–	(138)
Own shares awarded	–	–	3	2	5
Tax on equity movements	–	–	(1)	–	(1)
Transfer	–	(308)	308	–	–
At 31 December 2014	258	–	1,353	(16)	1,595

In 2013 the £308m addition to the merger reserve resulted from the group's 9.99% share placement in August 2013. In accordance with section 612 of the Companies Act 2006 the £308m premium on ordinary shares has been transferred to the profit and loss account.

Included in the company profit and loss account is £258m (2013: £443m) of realised distributable reserves.

(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 36 to the consolidated financial statements. Share-based payments disclosures relevant to the company are presented within note 39 to the consolidated financial statements.

(L) Related party transactions

Certain disclosures relevant to the company are presented within note 40 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 2014 (2013: 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 2014 guarantees totalling £370m (2013: £479m) were in place in support of such facilities.

The company also guarantees the debt obligations of G4S International Finance plc. At 31 December 2014 contingent liabilities of £956m (2013: £1,012m) 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 2014 totalled £14m (2013: £17m).