



Ashley Almanza
Group Chief Executive Officer

Delivering sustainable profitable growth

“In 2013 we established a new strategic plan to transform G4S and deliver sustainable, profitable growth. In 2014, the group made good progress executing this strategic plan and I am pleased to report a 12% increase in underlying earnings (to £210 million) and a 25% increase in cash flow from operating businesses (to £526 million). The group's performance and prospects are reflected in the directors recommendation to increase the final dividend by 5% to 5.82 pence per share. Much remains to be done to realise the full potential of our strategy.”

2014 review

Our strategic plan combines cultural transformation with sustained investments in organic growth and productivity improvements, together with active portfolio management and disciplined financial and risk management. I'm pleased to report that we made good progress in all of these areas during 2014.

Our markets

As the world's leading global integrated security company, our mission is to create sustainable value for our customers and shareholders by being the supply partner of choice in all of our markets.

Independent studies indicate that global demand for security is expected to grow at a compound average rate of 7% per annum between 2013 and 2023, reaching c.£210 billion in annual revenues by 2023.

The main drivers of industry growth are diverse and include: the economic environment and GDP growth; infrastructure investment; levels of conflict and crime; customer attitudes to risk and focus on security; customer efficiency and outsourcing objectives; regulation and the regulatory environment; technological change and innovation; interest rates and the role and policies of central banks influence the cash handling industry.

Through its unique market positions, G4S has attractive exposure to the growing demand in global security markets. We also have a diverse and proven range of services and the expertise to address this organic growth potential.

Investing in organic growth

In 2014 we took action to strengthen our sales capability, customer relationships and customer service. We invested in strategic account management and also implemented a systematic approach to measuring and monitoring customer satisfaction.

We continued to invest in service and product innovation and strengthened our sales operations and our sales capacity. These investments have begun to improve our pipeline management and in 2014 we won new contracts with a total value of £2.1 billion.

In 2014, we achieved revenue growth of 8.9% in our emerging market businesses and 6.9% in our North American businesses. As expected, revenues in our UK & Ireland and Europe regions declined by 1%, reflecting the end of the Electronic Monitoring contract in the UK and the end of the prison service contract in the Netherlands.

Our People

It is essential for the successful and sustainable growth of our business that we attract, retain, develop and incentivise the best people in our industry.

During 2014 we made a number of key appointments to the Group Executive Committee (GEC). Peter Neden has been appointed to the role of Regional President, UK & Ireland. Peter is a proven service industry executive, covering both commercial and government sectors in the UK.

John Kenning joined us in the role of Regional CEO, North America and Technology, succeeding Grahame Gibson who retires this year. John has a successful track record in sales and security technology.

In July this year Jenni Myles will take up the role of group HR Director, succeeding Irene Cowden who retires in June. Jenni has held a number of senior HR positions at G4S including HR Director for our North American and Latin American businesses. Jenni brings a deep knowledge of our industry and company combined with a track record of leading and supporting large organisational change programmes. Grahame and Irene have each made an enormous and valuable contribution to G4S and they leave with our profound thanks and best wishes.

Mel Brooks was promoted to Group Strategy & Commercial Director after successfully managing our large Indian business. Mel brings security and technology expertise from a variety of senior leadership roles he has held both in G4S and in the defence industry.

Beyond the GEC, we continued to invest heavily in refreshing and strengthening our senior management team. Since spring 2013 we have made 114 senior appointments to our senior leadership cadre of 220 executives, comprising 64 external hires and 50 internal promotions. The new appointments cover key positions in general management, sales, business development, operations, technology, procurement, IT, finance and risk management. All of these changes have been designed to strengthen our organisation and support the group-wide transformation of G4S.

Our global leadership development programme was re-launched in 2014. We are also simplifying and reinforcing succession and development planning to ensure that our leaders of tomorrow are identified and given the appropriate opportunities to develop early in their careers. Our investment in training and development permeates the entire organisation and is nowhere more important than in customer-facing roles.

I would like to thank the more than 623,000 colleagues across the world whose skill, energy and dedication to our customers and our company is reflected in the progress made by G4S in 2014.

Our Values

During 2014, we updated and re-launched our group values and mounted an awareness and training programme to ensure that G4S managers and employees understand how to put our group values into practice in everyday business activities. To support and reinforce this programme we have updated and re-launched our whistleblowing policy and compliance monitoring

now comes under the formal oversight of our group general counsel.

We established "Safety first" as a new group value and all senior executives completed mandatory safety leadership training which we are extending across the group in 2015. We established the new position of Group Head of Health and Safety and appointed an experienced safety professional to this role. Whilst we have been successful in raising safety awareness and strengthening our resources and systems, we remain fundamentally dissatisfied with our overall safety performance. I deeply regret to report that in 2014, 41 of our colleagues lost their lives in work-related incidents (2013: 49 work-related fatalities), including 14 colleagues who died in attack-related incidents, protecting our customers and their property.

Work-related fatalities have a devastating impact on families and colleagues at G4S and they motivate us to put Safety First. Zero harm remains our goal and each and every member of the global leadership team is committed to this goal. In 2014, we also established a UK corporate renewal plan and made good progress in implementing the plan. Implementation of this plan remains a priority in 2015.

Productivity

Over the past 18 months we have established a number of important programmes to improve the productivity of G4S. Given the scale and current stage of organisational maturity of G4S, these programmes address a material opportunity to improve our performance and create shareholder value. Our restructuring and organisational efficiency programmes made good progress in 2014 and we believe there are further opportunities to implement lean processes and more efficient organisation structures. Any new programmes will be subject to stringent financial, economic and operational criteria.

Our operational reliability and efficiency programmes broadly fall into two categories. Firstly, direct labour efficiency, which aims to ensure we deploy the correct service at the right time, thereby helping to improve customer service and reduce costs (see page 27). Secondly, route planning and telematics, which seeks to reduce vehicle and crew requirements and to reduce fuel and maintenance costs whilst simultaneously improving driver safety (see page 27).

In 2014, we established the new position of Chief Procurement Officer and recruited an experienced procurement leader and team. We aim to achieve

Our values at work – an integrated reporting framework

Our corporate values influence every aspect of our culture and day-to-day business activity, and we recognise that CSR strategies are best achieved when integrated into business practices. It is with that in mind that our CSR strategies and priorities are developed in conjunction with our operational businesses and help to improve the way we work and our approach to doing business. Our priority areas are business ethics and anti-bribery and

corruption, health and safety, and human rights. To better reflect the focus which our values have within our organisation and the importance we place upon ethics and sustainability, we have this year implemented an integrated CSR reporting framework which is led by our Annual Report and Accounts and supported by a CSR report and our website.

procurement efficiencies by using our global scale to consolidate supply chain management and secure better terms of business. We are also beginning to improve visibility, understanding and control of our buying behaviours to improve efficiency.

Last year we completed the first phase of our UK shared service centre to standardise key processes and reduce the cost of functional support. In 2015 we will extend the scope of shared services performed at our UK centre and we will consolidate our North American back office. We have begun to assess the feasibility of applying our shared service model in other regions.

We are undertaking a disciplined and progressive IT transformation programme. During 2014, we focused on building our IT leadership and development capability. We currently spend around £180 million on IT services and we are now progressively employing

IT service management models to improve consistency and efficiency in IT infrastructure, development and operations.

Active Portfolio Management

During 2014 we continued to apply the structured approach to portfolio management which we established in 2013. Since the inception of this management discipline we have completed the divestment of eight businesses at attractive exit multiples, generating aggregate proceeds of £248 million and an aggregate profit on disposal of £92 million. Businesses sold previously contributed revenue of over £700 million at an average net margin of 2.8%, well below the group average. We also discontinued a further 22 businesses. Portfolio management remains an important discipline in ensuring that we maintain strategic focus, capital discipline and effective financial performance across the group.

Delivering value through our key programmes

Our strategic plan encompasses key programmes which address multiple sources of value.



1. Transform our culture through our people and values (p14)

Building capacity in our people

- Strengthened global leadership team – 114 appointments to top 220 executive roles (50 internal, 64 external)
- Re-launched leadership programmes

Re-focusing our values

- Greater emphasis on Health and Safety (Safety first)
- Employee communications and training to reinforce group values
- Enhanced whistleblowing and case management

Managing risk

- Investment in improved risk management

Enhancing our performance management

- Increased rigour in our performance contracts
- Aligned incentives with values and performance



2. Invest in organic growth, customer service and operational excellence (p20)

Strengthening organic sales and business development capability – invested additional c£20m

- Appointed new sales leaders across the group
- Investment in sector and technology specialists
- Appointed 385 additional new hires into sales and business development roles in the past 21 months

Improving sales operations

- More proactive management of sales pipeline
- Investing in customer relationship and global account management
- Better alignment of sales incentives with customer satisfaction
- Extending proven services from one market to another



3. Make our organisation more productive (p24)

Investing in organisational efficiency

De-layering our organisation

- Shorter lines of communication, reduced costs and increased time focused on customers

Globalising key functions

- Improve consistency, efficiency and effectiveness of our support functions

Creating shared service centres for back office functions

- Leverage scale of organisation and standardise processes
- Implemented first phase in finance in UK in 2014
- US shared service centre in 2015

IT transformation

- Progressive, disciplined change programme to improve efficiency and consistency in IT infrastructure, development and operations

Disciplined risk and financial management

During 2014 we established an enterprise risk management system based on the “three lines of defence” model. As noted above we have invested heavily in strengthening our senior leadership teams and reinforcing our group values, both of which are important components of our risk and financial management systems. We also strengthened our contract risk management processes and made significant investments in financial control resources and audit and assurance capacity.

The importance of contract risk management was highlighted again last year with the £116 million settlement of the electronic monitoring contract and a further charge to profits of £45 million relating to provisions on legacy UK contracts.

Outlook

G4S' strategy and plan address a positive, long term demand outlook for our core services and seek to deliver sustainable, profitable growth.

We are making good progress with the implementation of our strategic plan and this was reflected in the group's commercial, operational and financial performance in 2014. The group's performance and prospects are also reflected in the directors' recommendation to increase the final dividend by 5%. There remains much to be done to realise the full potential of our strategy and we expect to make further progress in 2015.

Ashley Almanza
Group Chief Executive Officer



4. Actively manage our portfolio and performance (p30)

Reviewed 56 under performing or immaterial businesses in 2014

- Eight businesses sold in 2014 including US Government Solutions
 - raised gross proceeds of £177m in 2014 and gross proceeds £248m since 2013
- 20 discontinued; 22 under review and 14 to be retained with performance improvement plans
- Businesses sold had revenue of more than £700m and an average net margin of 2.8%



5. Embed disciplined financial and risk management (p32)

Soundly financed

- Investment grade credit rating and £998m of unutilised credit facilities

Global capex rationing – central pool of capital

- Investment hurdle rate 10% post tax IRR
- Rebalance investment towards organic growth

Improve sustainable free cash flow and working capital management

- Implementing a “cash matters” culture

Strong focus on financial stewardship

- Strengthened capability and capacity in audit, risk and financial management
- Strengthened contract review process

Investing in operational excellence – accelerated best practice (ABP)

Direct labour efficiency

- Uses subject matter experts working with local line managers to deploy the correct service at the right time, improving customer service and reducing costs
- Multi-year programme covering 39 businesses and 376,000 employees in the first phase

Telematics and route scheduling programmes for our fleet

- Telematics
 - reduces fuel and maintenance costs; improves driver safety
 - In 4,500 vehicles at the end of 2014
- Route scheduling
 - fewer vehicles and efficient crew requirements leading to improved customer service
 - 7,000 vehicles to be covered by end of 2015

New global procurement programme

- Baseline study identified addressable spend of £1.3bn (70% in eight categories)
 - material opportunities to reduce costs
- Negotiating with a number of key suppliers with the first global procurement deals signed
- Leveraging our scale



I. Transform our culture through our people and values

Strengthening capability

Our strategic review in 2013 identified the need to strengthen our resource and capability in a number of key areas of the business – leadership, senior line management, sales and business development. We have also strengthened our teams in IT, procurement, finance and risk management.

2014 highlights

114

new senior appointments to the global leadership team

Safety first

new value

New

whistleblowing policy created

2015 priorities

- Increase health and safety focus on road safety
- Extend health and safety leadership training to a wider population
- Implement an online system to better capture and record health and safety incident data
- Enhanced whistleblowing hotline and case management system to be implemented globally
- Global engagement survey to be undertaken and fed back within the organisation
- Design and implement a new single regional leadership programme for middle managers

Our financial performance is underpinned by recruiting, developing and deploying the best people against our most important opportunities by applying our group values in everything we do and by delivering outstanding customer service.

The group values are:

Safety first

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

Customer focus

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

Integrity

We can always be trusted to do the right thing.

Best people

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

Performance

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

Teamwork and collaboration

We collaborate for the benefit of our customers and G4S.

Expertise

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

Our plans to improve customer service are outlined in more detail on pages 20 and 23. How our values are integrated into the group's strategic priorities is covered throughout the Strategic Report and in this section we discuss:

- i. Safety first – protecting colleagues and those around us
- ii. Integrity – being trusted to do the right thing
- iii. Best people – employing the best people and providing opportunity



Nuclear power – United States

At one of the newest and largest nuclear power facilities in the United States, the G4S Regulated Security Solutions team has worked safely for nearly 11 years since a recorded lost-time accident, and worked nearly 2 million safe man-hours by implementing a comprehensive behaviour-based safety programme.



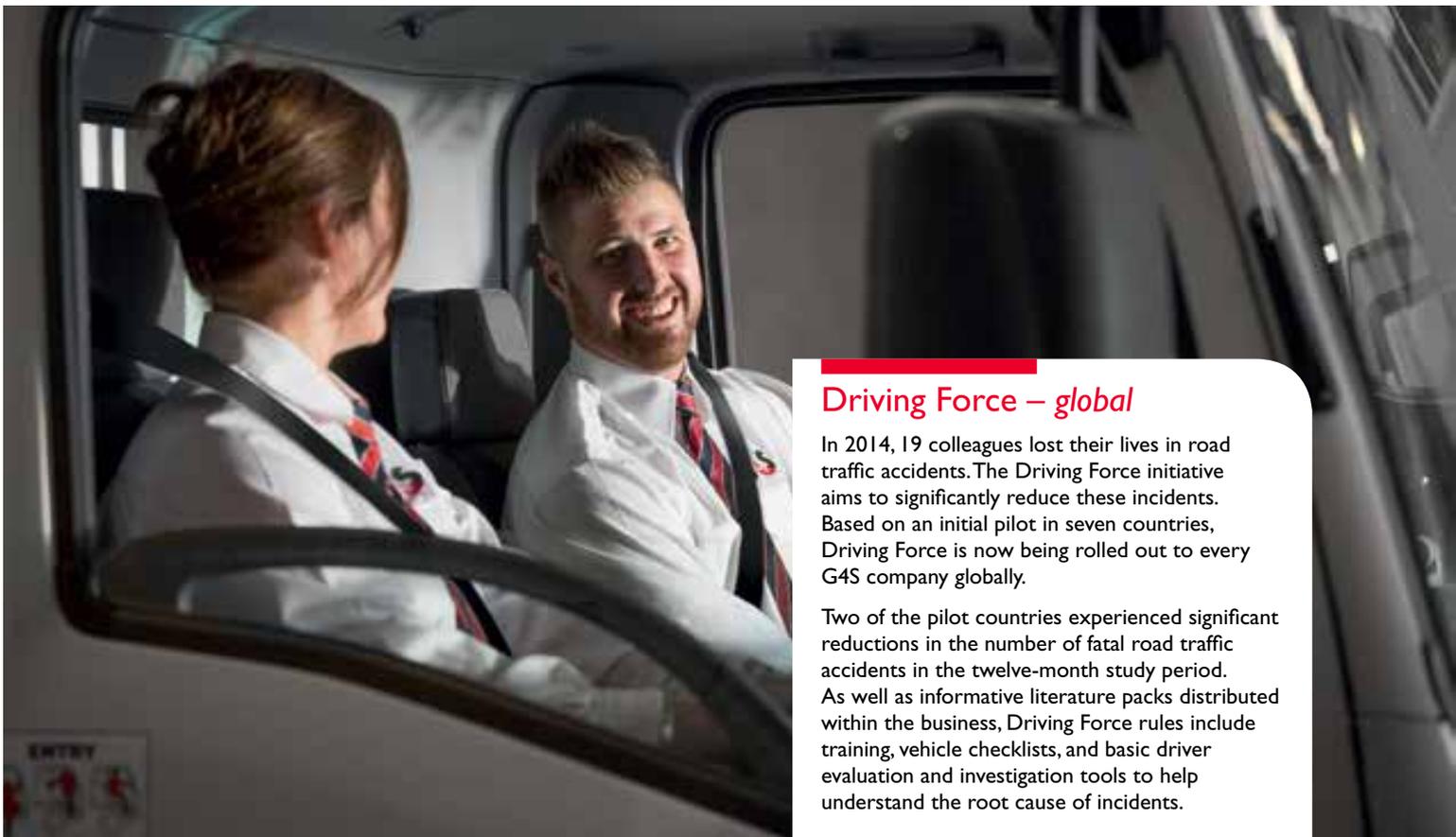
Ethical employment partnership – global

Since 2008, G4S has had an ethical employment partnership with UNI, the global union federation. G4S was the first UK company to enter such a partnership, which drives improvements in employment standards across the global security industry, while helping to ensure that employee and union rights are respected throughout the company.



Secure solutions – India

With a workforce of 130,000 people across 25 states, G4S India launched a strong health and safety initiative aimed at spreading the concept of “zero harm” for its employees and customers. Throughout the year, it introduced a series of campaigns aimed at making the workplace environment safer.



Driving Force – global

In 2014, 19 colleagues lost their lives in road traffic accidents. The Driving Force initiative aims to significantly reduce these incidents. Based on an initial pilot in seven countries, Driving Force is now being rolled out to every G4S company globally.

Two of the pilot countries experienced significant reductions in the number of fatal road traffic accidents in the twelve-month study period. As well as informative literature packs distributed within the business, Driving Force rules include training, vehicle checklists, and basic driver evaluation and investigation tools to help understand the root cause of incidents.

Achievements

Our performance management approach addresses both non-financial and financial performance in an integrated way and is outlined in more detail in the key performance indicators section of the Strategic Report on pages 32 and 33.

Safety first

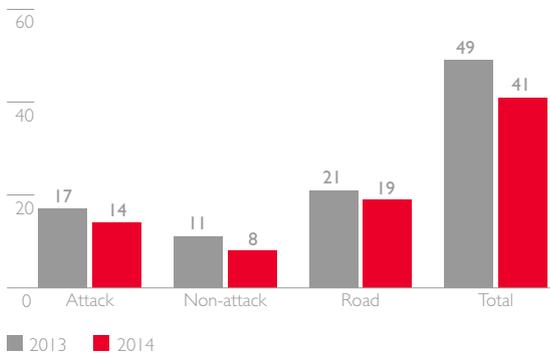
The nature of our work and the environments in which we operate can expose some of our employees to a high risk of harm. Mitigating and managing these risks so that our people return home safely every day is our paramount concern. Tragically, colleagues from across the group are injured and sometimes killed during the course of their work. Any death or injury is unacceptable and in 2014 we have invested in additional health and safety resources with the aim of preventing such incidents across the group and to learn from those which do occur so that we can address the root causes.

The continued effort to improve the safety of our staff is led from the top of the organisation with personal leadership from each member of the Group Executive Committee supported by human resources experts and 108 safety professionals across the group.

Processes and practices across the group are challenged frequently by our health and safety professionals, and critical country reviews, carried out by experts who are independent of the business under review, highlight learning points following every serious incident.

To ensure that our managers take ownership and responsibility for improving health and safety, we recently re-designed incentive plans to ensure that avoiding harm to employees, and to those with whom we come into contact during the course of our business remains the focus for managers across the organisation. Improved health and safety performance will continue to be a key area of focus in 2015.

Work-related fatalities by category

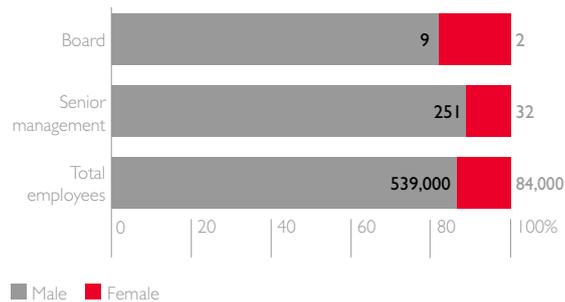


Best people – building capability

Since April 2013 we have strengthened our global leadership team materially, with 114 appointments to our top 220 executive roles. Of the 114 appointments, 50 were internal promotions and role changes and 64 were external hires. These changes have been focused on senior line management, sales and business development. We have also strengthened our teams in IT, procurement, finance and risk management.

The senior leadership programme is being re-launched in 2015 to better reflect the strategic priorities of the group. A new cohort of senior managers with potential to move to more complex roles will be identified to participate. The programme, which started in 2005, will support and challenge participants to contribute to sustainable business performance and continue their own personal leadership development. Every element of the programme will explicitly promote the G4S values and draw on good practice from existing G4S senior leaders around the world.

Gender diversity (%)



Please see page 58 for the board's policy on diversity

Employee engagement

Our employee engagement programme is based on the internally developed PRIDE model:

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

More information on all of these areas can be found in our CSR reporting framework, including our CSR report and www.g4s.com/csr. We are currently planning our next global employee engagement survey in 2015. The survey is based on the PRIDE model and the principle that where employees feel Protected, Respected, Involved, Developed and Engaged, they are more likely to perform at their best, provide customers with exceptional service and be great advocates for the organisation. The last global study was undertaken in 2013 and received over 380,000 responses – a 62% response rate. Feedback from the 2013 survey and the forthcoming 2015 survey is shared with the relevant business leaders, so that we can address areas which employees have highlighted as in need of improvement. Examples where feedback has resulted in change include:

- enhanced health and safety leadership and training
- increased internal communications
- leadership programme launched in the Americas
- increased training resources being offered in Latin America and Europe

Performance management

During 2014 we re-defined our performance measures and incentives for our employees and our approach continues to address both non-financial and financial performance in an integrated way. Performance indicators include measuring customer needs, and achieving sustainable profit and cash flow, and provide clear and strong alignment between management priorities and shareholder value.

Integrity

Ethical conduct is not just a solution to the challenges of legal compliance, but a means of doing business which provides customers, employees, partners and communities with the confidence that they are working with an ethical organisation. Acting with integrity across the world is a key element of our business strategy and a positive differentiator.

Business ethics and anti-bribery and corruption

Every year we review our business ethics policy to ensure it reflects the current business and political environment and addresses any risks which may exist. Implementation of the standards described in the policy is the responsibility of local managers. These are subject to review through our internal and external audit programmes and from investigations triggered by whistleblowers or colleagues raising concerns with their managers.

As outlined in more detail on page 31, part of the remit of the Regional Risk and Audit Committees which were established in 2014, is to ensure compliance with our robust anti-corruption policies and embed the Integrity value across the regions. Compliance statements are now signed by the businesses and regions on a quarterly basis.

In 2014, we completed a review of our global whistleblowing policy and practices against the principles of the UK Whistleblowing Commission's Code of Practice, making a number of changes as a result of that review. We have selected a new global hotline provider and will be implementing a new global whistleblowing system in 2015. We are also implementing a new case management tool which will enable us to capture information on whistleblowing cases across the group and to analyse trends and issues raised on a more systematic basis. We have re-established our ethics steering group – which was first created to ensure our compliance with the requirements of the UK Bribery Act – to ensure the appropriate focus on whistleblowing and ethical behaviour across the group and make sure that we are constantly challenging ourselves to meet the highest standards.

From time to time, concerns about the conduct of our colleagues or our business partners are brought to our attention. We take all such concerns seriously and work with internal audit and external investigators to ensure all issues raised are addressed appropriately. Information on current issues can be found on page 21 in our CSR report.

Human rights

Our human rights framework supports the continued development of an ethical and sustainable business model that encourages the improvement of standards, job creation, community support and broader beneficial impacts on societies throughout the world.

The framework is being embedded across the group, along with newly-developed processes for assessing the group's human rights risks in many areas such as bidding for contracts, entering new markets and analysing our existing countries of operation. These practices are driven by an annual assessment of human rights risks and a series of assessments and reviews in markets where risks exist.

Where risks or concerns are identified, action is taken to make sure that we put in place processes to mitigate or reduce any risk. In some cases, this means that a business or operation can be scrutinised intensely by either G4S or independent experts. For example, in the spring of 2014, the board commissioned an independent review into the group's operations in Israel. The findings from the review were presented to the chairman of our CSR Committee and to a number of the Group Executive Committee members, and were published on the group's website in the interests of transparency.

More detail on human rights risk assessment can be found in the Risk Management section and the group's separate CSR report.



Ebola response – Africa

Responding to the outbreak of Ebola in the region, G4S Sierra Leone, in conjunction with our G4S Africa head office, developed an Ebola awareness programme for employees, incorporating posters, handouts and training. Symptom testing, hand washing facilities and the provision of personal protective equipment were implemented at G4S offices as part of the programme of increased preventative measures, and a comprehensive contingency plan was developed. These measures greatly assisted in the prevention of infection and subsequently have been shared with other affected countries such as Mali, Nigeria and Guinea.



Compliance and Investigations – North America

The United States' second largest school district, serving one million students and 90,000 employees, worked with the G4S Compliance and Investigations team to reduce workers' compensation fraud and abuse losses. The organisation-wide programme saved the customer more than \$10 million in fraudulent claims and resulted in 24 arrests and convictions.



2. Invest in organic growth, customer service and operational excellence

Customer focused

Following the strategic review undertaken in 2013, we concluded that the group had been under-investing in organic growth opportunities and since then we have established a number of programmes designed to strengthen organic sales and business development.

2014 highlights

£5.5bn

annual value of sales pipeline as at end December 2014

£1.1bn

annual contract value of new business won

c.90%

contract retention rate for existing contracts

c.£20m

annualised additional investment in sales and business development

- Group-wide initiatives to improve organic growth and customer retention rates
- Investing in a more rigorous approach to customer relationship management
- Investment in technology development and sales
- Roll out of standardised sales operations system commenced

2015 priorities

- Implement our standardised customer satisfaction survey tools across the group
- Complete roll out of standard sales operations
- Continue to improve pipeline management
- Increase multi-service offerings to existing and new customers

Achievements

Investing in organic growth opportunities

Group-wide initiatives to take advantage of the organic growth opportunity including:

- sales capability assessment and recruitment
- mandatory implementation of standard sales operations systems
- sales performance in all businesses
- customer engagement and retention
- global account management
- pricing policy and management

In the past 18 months, we have appointed new sales leaders in all of our six regions and at group level.

Across the group as a whole, we have appointed 391 additional new employees into sales and business development roles, including industry sector specialists in a number of our regions. We have also been implementing a standard tool for measuring customer satisfaction. Through regular customer surveys and feedback, we will be better able to identify and quickly address service issues and deepen and strengthen customer relationships.

Customer relationship management

We are also investing in a more rigorous approach to customer relationship and global account management.

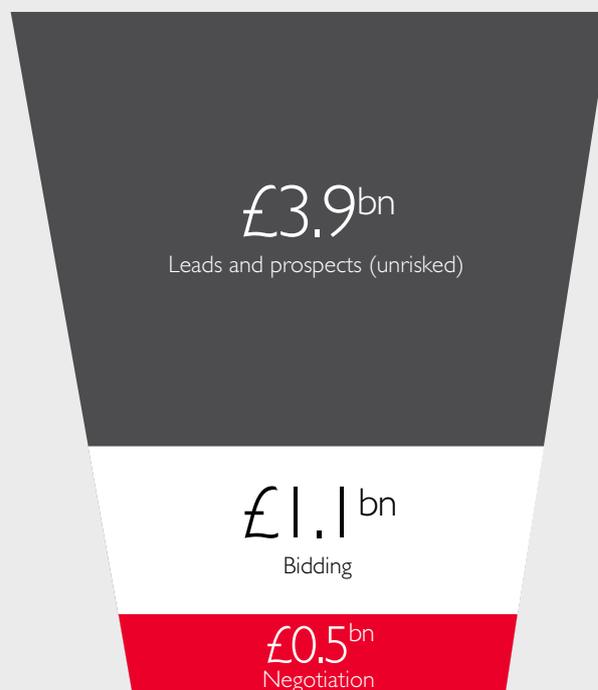
We are placing greater emphasis on managing and retaining the existing customer base and have continued to invest in new service development and innovation for existing customers. We have also begun to export commercially proven services across countries and regions.

Our investment in organic growth implemented through these programmes provides long-term support for our sales pipeline. During 2014, we won new work with an annual contract value of over £1.1 billion and a total contract value of £2.1 billion. See the Business review on pages 34 to 41 for a description of the type of new contracts won per region. We continue to build and to replenish our pipeline which, after taking into account strong conversion in 2014, had an annual contract value of £5.5 billion at the end of December 2014.

Annual contract value of sales pipeline at end of December 2014

During 2014 we won new work with an annual contract value of over £1.1 billion and a total contract value of £2.1 billion. We continue to build and replenish our pipeline which, after taking into account strong conversion in 2014, had an annual contract value of £5.5 billion at the end of 2014.

Large, diversified sales pipeline



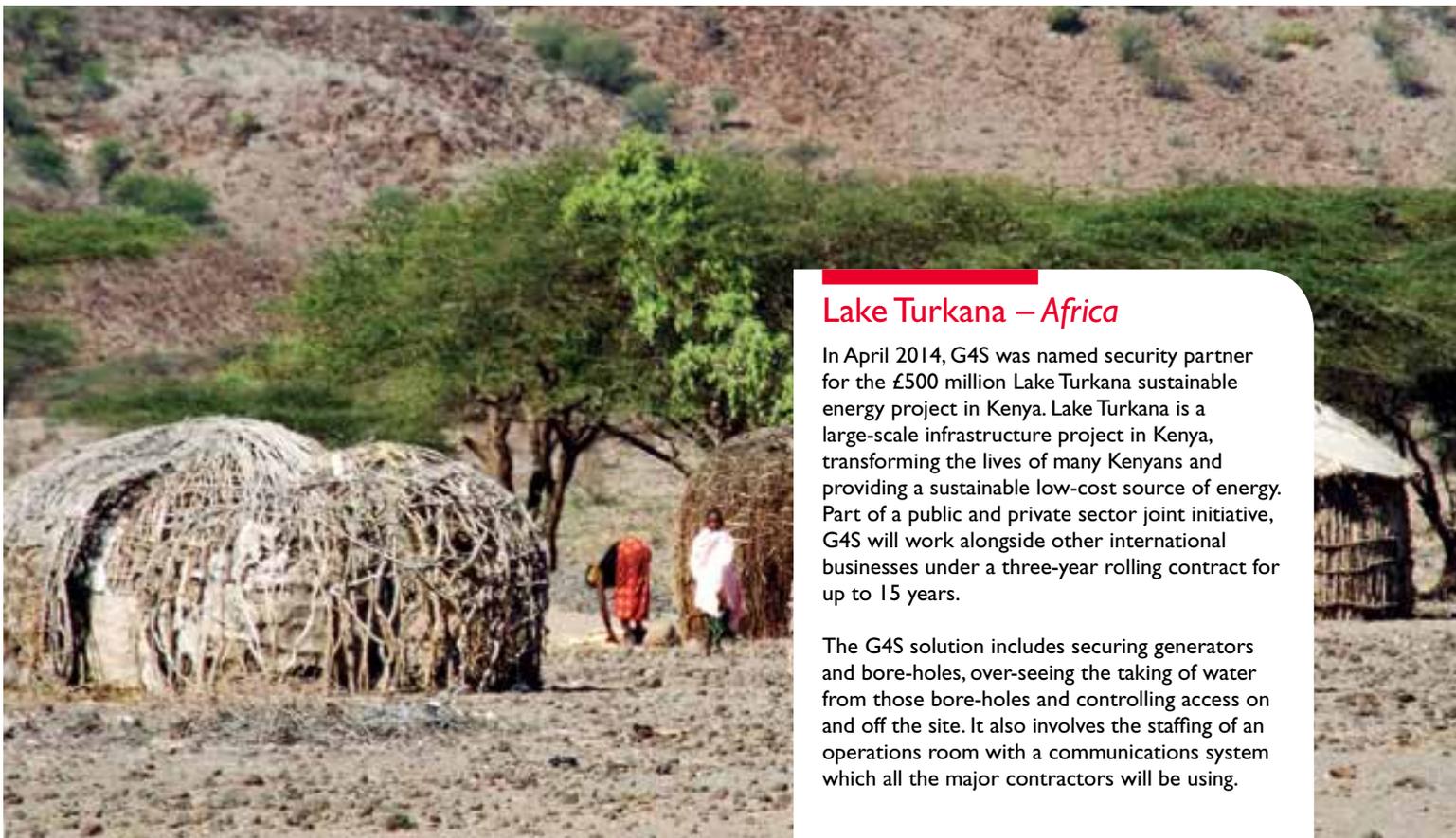
Global agriculture – Latin America

G4S provides secure solutions to one of the world's leading global agriculture companies that has operations in more than 90 countries. In Latin America, G4S services more than 30 customer locations in Brazil, Argentina, Colombia, Chile and Mexico, incorporating risk mitigation, integrated security solutions and world-class technology.



Bank of America – global

With operations in more than 40 countries, serving 48 million consumers at 4,800 retail banking offices and 15,800 ATMs, the needs of a global customer like Bank of America are complex and dynamic. G4S partners with them to provide total security including software, systems and over 5,000 security officers posted at more than 1,300 buildings and banking centres across the world.



Lake Turkana – Africa

In April 2014, G4S was named security partner for the £500 million Lake Turkana sustainable energy project in Kenya. Lake Turkana is a large-scale infrastructure project in Kenya, transforming the lives of many Kenyans and providing a sustainable low-cost source of energy. Part of a public and private sector joint initiative, G4S will work alongside other international businesses under a three-year rolling contract for up to 15 years.

The G4S solution includes securing generators and bore-holes, over-seeing the taking of water from those bore-holes and controlling access on and off the site. It also involves the staffing of an operations room with a communications system which all the major contractors will be using.

Strategy in action *continued*

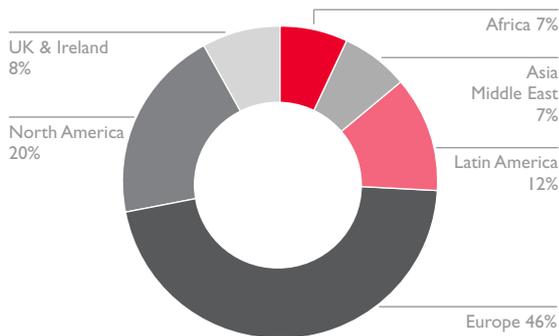
Customer focused

We have also started to strengthen our sales operations so that we can manage our pipeline more pro-actively and improve the alignment of sales incentives with sales performance and customer satisfaction. Sales incentives have been redesigned for 2015 to better align them to drive growth, customer retention and customer satisfaction.

Investment in technology specialists

In 2014, the group initiated a strategic review of capabilities in technology addressing IT and back office technology, operational technology and customer-facing technology. The opportunity for using technology to drive back office efficiencies for areas such as payroll and accounts payable through shared service centres is outlined on page 24 and operational technology such as telematics is outlined on page 27. In terms of customer facing technology, the group derived 8% of revenue from security systems revenue in 2014 but this is largely concentrated in the North America and Europe regions.

Security systems revenue (%)



The global security systems market is a large, growing market (source: Freedonia World Security Services Report, November 2014).

We believe specific technologies with significant market potential include:

- advanced access control systems
- video and image analytics software. Through constant automated digital screening and filtering, video analytics can identify and notify operators of potential issues, allowing security officers to make quick, informed decisions
- integration software for connecting and controlling multiple devices to create an end-to-end security solution
- data analytics software for pooling and rapidly synthesising large volumes of data and
- automated cash management systems.

The group has proven in-house product development capabilities in a number of these areas:

- United States – OneFacility™ technology solution spanning security, safety and facilities management, Secure Trax™ automation of typical security communication including incident reporting via a handheld device and Risk360 security incident information capture, investigation and analysis tool,
- UK – Symmetry™ access control and building management system, electronic monitoring equipment;
- South Africa – Deposita end to end cash management solution for retail customers and
- Europe – CASH360™ end to end cash management for retail solutions (see page 26) and localised product centres (e.g. Hotelo access control technology).

Regional markets vary widely in terms of competition, products sold and customer segments, and our approach is adapted to meet each customer's unique requirements.



3. Make our organisation more productive

Leverage our global scale and technology

One of our key goals is to improve operational and overhead efficiency and organisational effectiveness. We also aim to better leverage the scale of the organisation through group-wide procurement and IT programmes for the first time.

2014 highlights

- Global procurement and IT functions established
- Annual addressable procurement spend identified
- Strategic review of IT resources and capability completed
- Began implementation of accelerated best practice (ABP) across the group including:
 - 4,500 vehicles fitted with telematics devices by the end of 2014
 - Implemented route scheduling programme
 - Started our multi-year labour scheduling programme covering 39 countries and 376,000 employees
- Phase I of UK shared service centre completed

2015 priorities

- Migrate G4S Canada into North America shared service centre
- Improve development and deployment of IT systems and tools across the group
- Continue implementation of direct labour efficiency programme
- Supplier negotiation and rationalisation

Achievements

Organisational effectiveness

As well as taking action to strengthen our organisation with new appointments, we have also been reviewing our organisational design to ensure that management structures are both effective and efficient. In a number of regions we have embarked on a de-layering programme which aims to shorten lines of communication, reduce costs and increase the amount of time devoted to customers and the marketplace. We have also created two global functions that should deliver significant synergies in the areas of IT and procurement.

During 2014 we also established a project to globalise a number of our key functions – such as HR, communications, finance and legal. We believe that global functions will improve the consistency, effectiveness and efficiency of our functional services.

Shared service centres

An example of our approach to improve back office efficiency through shared service centres is in the UK, where we have completed the first wave of consolidating finance functions spread across nine different accounting locations and six different accounting platforms into one combined UK-based shared service centre on a single IT platform.

In North America, Canada will be consolidated into the US shared service centre during 2015, and beyond that we see opportunities to bring one smaller US business into scope that is not currently in the US shared service centre.

In the AME region we have made tangible progress since last year in evaluating how we can transition to regional hubs by, for example, co-locating simpler transaction processing activities before consolidating onto a single IT platform.

Direct labour management – global

Labour costs are around 75% of the total cost base for the group. Our in-house employee scheduling system provides reporting, key performance indicators (KPIs) and management information around direct labour management, so that businesses can better manage their labour costs. This solution is already in the process of being implemented in 13 countries and a significant number of other countries will have access to it in 2015.

A detailed management information pack of KPIs has also been produced by the secure solutions Service Excellence Centre (SEC) to enable businesses to better measure labour efficiency by tracking unbilled overtime, non-billable hours and reconciliation of labour hours in a much clearer and more consistent way is proving to be very valuable. It reconciles the output from payroll systems – what has actually been paid – and compares it to the expected output from the operating systems i.e., what the scheduling system expects to pay and bill to customers. It highlights any variance for further review and analysis, enabling us to make improvements going forward.

Labour efficiency measurement

Total hours billed and paid
(output from billing and payroll systems)

Reconciled to:
Contracted hours and actual hours delivered
(output from operating systems)

Variance analysed and ongoing
improvements made

Cash Solutions/SEC partnership – Serbia, Europe

G4S Cash Solutions, Serbia has to manage a very broad range of note denominations and so the size and volume of notes they transport and insert in ATMs is different compared with most other cash solutions businesses.

As with all cash solutions SEC reviews, the team looked for efficiencies that could be achieved by applying proven methods to improve efficiency and customer service, while reducing costs and increasing profit. These include combining routes, increasing productivity, reducing premium hours, reviewing branch boundaries, realigning customer sites and re-planning to reduce or eliminate route cross-overs, and absorbing new contracts into existing routes.

In Belgrade, a dedicated team from G4S Serbia worked with the SEC and improved productivity by removing routes and vehicles by integrating collections or deliveries into other routes and planning the routes differently.





Australia care and justice services – Asia Middle East

G4S is one of the leading private providers of care and justice services in Australia and New Zealand, overseeing almost 1,500 offenders and transporting over 100,000 prisoners and 86,000 non-emergency patients in 2014. Leveraging our local knowledge and international expertise, a key part of the G4S Australia growth strategy is to develop our care and justice portfolio in new markets (Queensland and Western Australia) and new sectors (policing). To support this we have invested in senior executive level sector expertise in those states, in policing in Australia and transferred policing experts from the UK business.



CASH360™ – global

CASH360™ is the first integrated end-to-end cash management system that controls every stage, from cash payment by purchasers to depositing the proceeds into sellers' bank accounts. It has been launched in Europe and other markets. Over the last three years, CASH360™ revenues have grown over five-fold and we have plans to launch in more markets. This will enable our banking and retail customers to become more efficient and secure and help them to spend more time with their customers.

By automating the entire process, CASH360™ has been able to mitigate the risks that surround the management of money in a wide range of scenarios. The financial benefits for customers include better cash flow, simplified operations, a safer environment and reduction in losses, giving business owners and management more time to focus on trading successfully. Users have reported in-store costs of handling cash reduced by up to 70% and the elimination of "shrinkage" – loss of inventory that can be attributed to a variety of causes, from employee theft to administrative errors.

Strategy in action *continued*

Leverage our global scale and technology

Group procurement

During 2014 we established the position of chief procurement officer and conducted a baseline survey of non-payroll spend. This allowed us to determine the scale and the nature of the opportunity to reduce costs by employing a global approach to procurement. By bringing procurement under a global function we can use our scale to better negotiate deals with suppliers, reduce costs and make more structured purchasing decisions.

The baseline survey carried out in 2014 identified addressable spend of £1.3bn, of which 70% was attributable to eight broad categories of expenditure. Since then we have started the process of employing experienced category managers and opened negotiations with a number of our key suppliers. We concluded our first global procurement deals in early 2015 in IT and telecoms, and believe that this approach presents significant opportunities to reduce our costs and achieve better service and value for money.

IT transformation

In IT, we have a new group chief information officer, and have established a global leadership team.

We are adopting industry-recognised IT service management models, driving consistency and efficiency in IT infrastructure, development and operations. The first phase of transformation is focused on infrastructure.

In addition to improving supply chain management we are also using vendors' IT platforms to give us visibility and control of our spending.

We are also taking a global approach to rationalise the numerous email systems which exist across the group, improving communication and productivity. We are taking a similar approach to the rationalisation of our telecoms infrastructure and data centres.

On IT development, we have begun to offshore the software development that underpins our accelerated best practice for labour scheduling and route planning. Finally, during 2015 we will seek to bring a standard approach to our IT operations.

Operational excellence

In addition to programmes focused on organic growth, we have programmes under way designed to improve operating and organisational efficiency. These programmes are described collectively as Accelerated Best Practice (ABP). Two years ago we invested in creating Service Excellence Centres (SECs), for both secure solutions and cash solutions. SECs aim to deliver gross margin improvement and improved customer service by driving consistent operational excellence throughout the business.

ABP programmes include:

Telematics and route planning

We have around 34,000 vehicles in our fleet and spend over £300m per year on vehicle capital investment and operating costs. The telematics programme involves the installation and use of tracking devices that enable us to measure and reduce fuel and maintenance costs and improve driving safety. At the end of 2014, 4,500 of our vehicles were fitted with telematic devices.

Our route scheduling programme involves the use of equipment and software that enables our businesses to plan and operate optimal routes for collections, deliveries and site visits. When fully deployed, the programme can reduce both vehicle and crew requirements and improve customer service by helping our crews to meet delivery, collection and visit windows. By the end of 2015 we plan to have 7,000 vehicles operating under an enhanced route scheduling system.

Direct labour efficiency programme

The programme aims to improve customer service and reduce costs by deploying the right security officers at the right time and at the right cost, and by minimising non-billable time. This is an enormous multi-year programme covering 39 businesses and 376,000 employees in the first phase alone.

Direct labour efficiency reconciles the output from payroll systems – what's actually been paid – and compares it to the expected output from the operating systems i.e., what the scheduling system expects to pay, and highlights any variance for further review and analysis enabling us to make improvements going forward. See the case study on page 25 for more information.



4. Actively manage our portfolio and performance

Portfolio management

Portfolio management remains an important tool for capital discipline and performance management.

2014 highlights

56

businesses reviewed

8

businesses sold

£248m

gross proceeds raised since 2013

2015 priorities

- Cease or sell 20 smaller businesses
- Continue to invest in the organic growth opportunities to drive sustainable profit and cash flow

Achievements

During 2013, our strategic review identified a number of businesses which were under-performing or lacking in scale. We also looked at business risk profiles and market values. Depending on our assessment of all of these factors, we decided to either sell, discontinue or invest in the turnaround of these businesses. During 2014, we reviewed 56 businesses in greater depth and detail. Of these we have sold eight businesses, including US Government Solutions, which was managed through a proxy structure over which we had limited control. Since 2013, our disposal programme has raised around £248m from businesses which generated a below group average operating margin of 2.8%. Of this, £177m was raised in 2014.

Portfolio management remains an important tool for capital discipline and performance management. A further 20 smaller businesses are being sold or ceased, and another 22 are currently under review. None of these smaller businesses, alone or in aggregate, has a material impact on our revenue, our profit or our cash flows. Our portfolio management programme has improved our strategic focus and we have released capital at attractive overall realisations.

At the same time as divesting under-performing businesses or those lacking materiality, we have been investing in the organic growth opportunity, where we expect to see good returns on our investment and to make G4S more productive. As outlined in the previous "Strategy in action" sections, we have been investing in our continuing businesses in the following areas: people, sales and business development, technology and business improvement programmes, including restructuring to drive operational excellence and organisation efficiency.

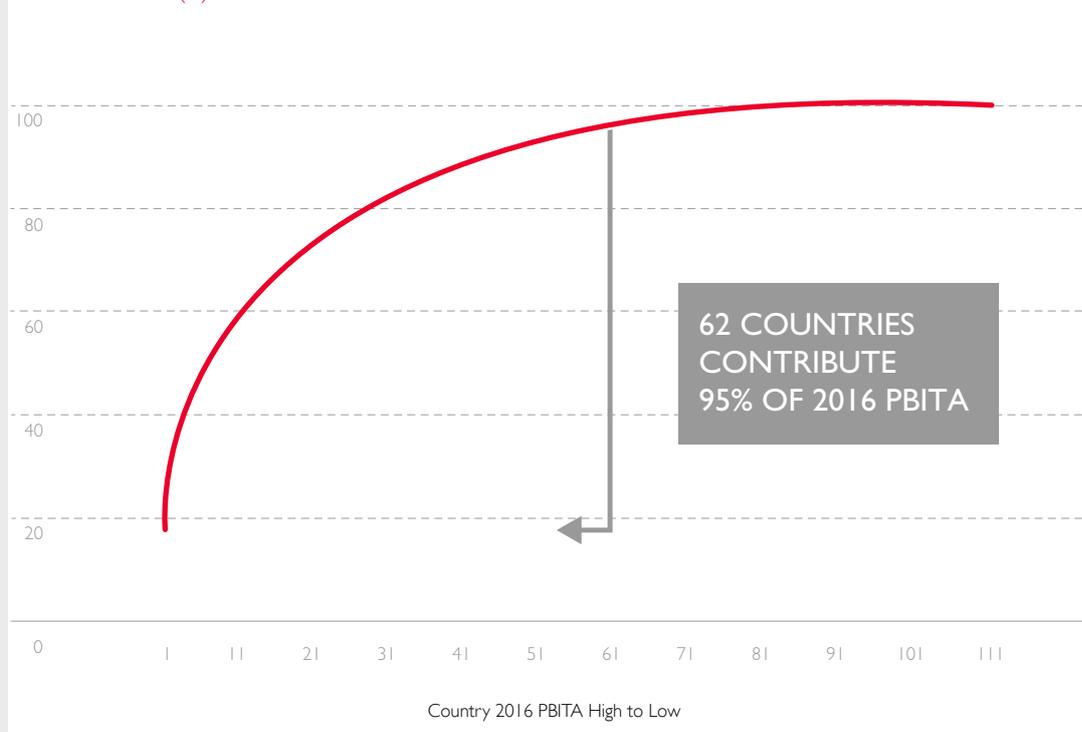
Active portfolio management

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

Since then, we have reviewed 56 businesses looking at strategic value, risk profile and materiality of contribution (growth, PBITA and cash generation), and sold eight businesses, raising gross proceeds of £248 million. Twenty further businesses are being sold or closed.

2013 Forecast of G4S PBITA in 2016 by country

Cumulative PBITA (%)





5. Embed disciplined financial and risk management

Improving cash flow

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

2014 highlights

£526m

Cash generated from operating businesses in 2014

£553m

Total cash generated from continuing operations in 2014

£1bn

revolving credit bank facility refinanced in January 2015

c.200

contracts across the group reviewed by the CFO on a quarterly basis

2015 priorities

- Improve cash generation

Achievements

Operating cash flow

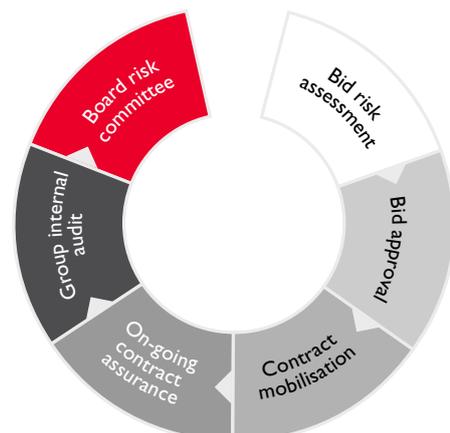
In 2014, we made a material change to the cash measure used in budgets, monthly reviews, long-term business and incentive plans, to deliver free cash flow after working capital. Our performance management cycle around cash flow has also changed. Our debtors sales outstanding (DSO), based on revenue for the last 90 days of 2014 was 48 days and there are many businesses where there are opportunities for improvement. We have moved the monitoring of cash and cash collections from monthly to weekly, and moved the collections agenda beyond finance by engaging the business in cash collections. We also need to be more disciplined about commercial terms for receivables, drive better terms from our supply chain through the new procurement processes and to reduce the time from event to billing. On average across the group we bill in 13 days, and as with DSO, there is considerable variation in the timeliness of billing across the group.

We are developing a programme across the global finance and commercial communities to systematically look at both the order to cash cycle, and the procure to pay cycle and analyse the systemic root causes that affect cash flow and then drive improvement, based on this root cause analysis.

Contracts, risk management and delivery assurance

We now have enhanced contract management processes in place across the group. There are clear reserved powers for the approval of contracts at group executive committee and board level to approve bidding for major, complex contracts and all material contracts with low profitability are subject to review at regional, group or board level, as appropriate, 29 contracts went through this process in 2014. For more detail please see the risk management section on page 42.

Contract risk management and governance model



We have also introduced a 360-degree model for ongoing contract assurance ("Contract 360"). As the name implies, this brings together a review of the financial, commercial, legal, delivery and reputational risks in taking on work for a customer and means that there is a holistic view of contract risk, both before we commit and during the contract life cycle. Then, during contract execution, amongst other things, we review the progress on delivery commitments made and we monitor customer satisfaction as well as commercial and financial performance. Contract 360 is well developed and embedded in our UK business and will be progressively implemented across all regions in 2015.

In terms of the broader contract portfolio, every quarter the finance organisation reviews the financial performance of all the major contracts, and the CFO performs a top-level review of the top 200 contracts across the group each quarter, equivalent to around a third of group revenue. These contract disciplines give us early sight of emerging contract issues, and the Contract 360 review process enables us to develop the appropriate commercial and legal strategy and ensures that the accounting is sound.

Capability building

These contract management changes would not be possible without capable people and effective processes, in finance, risk management and control. In Audit and Risk, we have appointed a Head of Global Risk and Audit. In finance, we have four new regional CFOs and a new group Financial Controller. Together with their teams they have significantly improved our internal financial reporting. We have a much more rigorous monthly and quarterly close process, monthly reviews through group finance that focus on quality of earnings, as well as enhanced processes around balance sheet integrity and control.

Regional Risk and Audit Committees

We also introduced regional risk and audit committees across the group, and these bring together the ongoing risk management agenda in the region, compliance matters, issues arising from internal and external audit, and an ongoing review of any issues requiring judgement. They are chaired by the Regional CEO and include representatives from group as well as Regional Finance, and are also attended by our external auditor.

The Regional Risk and Audit Committees are now a core part of the governance processes within the group. Together with the other changes discussed above, they provide an enduring platform in risk management and controls and have resulted in significant strengthening of the stewardship in the group.

Capital discipline

We believe our new approach to capital discipline is working; one single capital pool; a minimum 10% post-tax internal rate of return on all investments; a group wide investment committee that oversees both revenue and capital investments; and rebalancing capital away from acquisitions to organic capital investment. The more rigorous process around capital discipline was reflected in £138m capital expenditure (2013: £178m) down 22% from 2013. The lower spend is also a deferral of spend into 2015 as we bring some capital investment under the global IT, shared service and other programmes.

Restructuring

In 2013, we invested £63m to reduce costs, mainly in the UK and Europe. New areas of opportunity identified in 2014 accounted for a further £29 million charge. These programmes were essential in strengthening our competitive position, principally in the UK and in Europe. In the UK cash solutions business, we have reduced our branch footprint by 20% and headcount by around 10%. In Europe, we have consolidated our regional HQ in Amsterdam, consolidated our operations in the Netherlands and Belgium, and across the group funded some modest de-layering of duplicated or overlapping management and supervision.

Balance sheet

The board remains committed to maintaining a strong balance sheet with the long-term net debt to EBITDA ratio of less than 2.5 times. At the end of 2014, the net debt/EBITDA was 2.8x – a little higher than our long term aim mainly because of the payment relating to the UK electronic monitoring contract settlement. The group's revolving credit bank facility was successfully refinanced in January 2015 with improved pricing, terms and conditions achieved. The new facility is a five-year £1 billion committed facility provided by a consortium of leading international banks. Our unutilised but committed facilities at the year end were £998m. We continue to be soundly financed and have good access to capital markets as demonstrated by the recent renewal of the revolving credit facility.