

Annual Report 2018



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Visit our website for related information  
[www.compass-group.com](http://www.compass-group.com)

Our Corporate Responsibility report will be  
available online in early 2019

## Sharpening our focus through: Performance, People and Purpose

As the industry leader, we have an important long term role to play in society. We drive our financial **Performance** by delivering great food to our clients and consumers combined with a rigorous focus on execution. We are further enhancing our **People** proposition and developing a clearer social **Purpose** to improve the long term quality and sustainability of our financial results.



# Performance

We drive our financial performance by providing our clients with great and healthy food, combined with a rigorous focus on operational execution

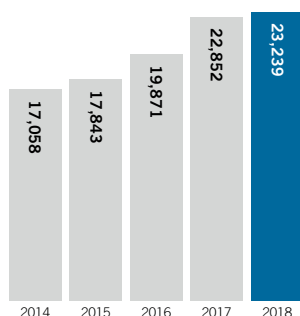
## +5.5%

2018 has been another strong year with good organic revenue growth of 5.5%.

# Consistent performance

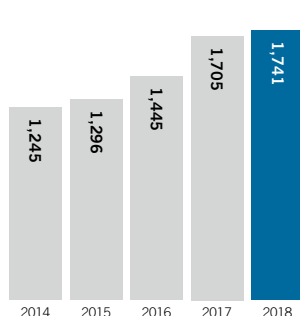
## UNDERLYING REVENUE

£23,239m



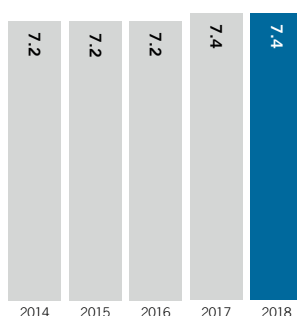
## UNDERLYING OPERATING PROFIT

£1,741m



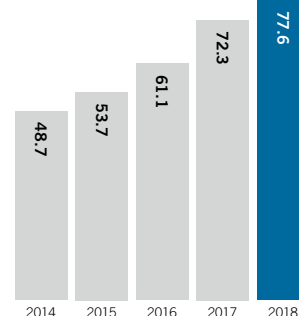
## UNDERLYING OPERATING MARGIN

7.4%



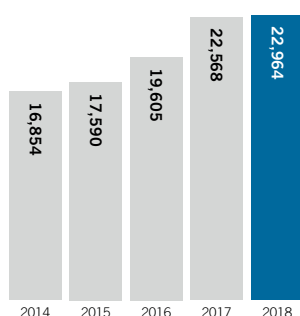
## UNDERLYING BASIC EARNINGS PER SHARE

77.6p



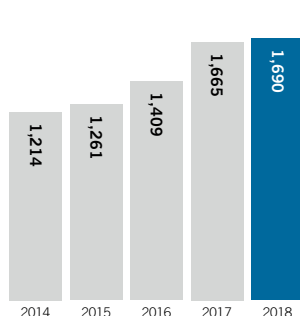
## STATUTORY REVENUE

£22,964m



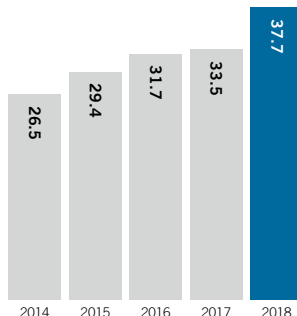
## STATUTORY OPERATING PROFIT

£1,690m



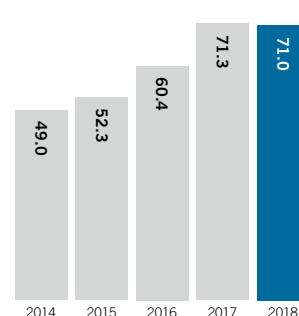
## DIVIDEND PER SHARE

37.7p



## STATUTORY BASIC EARNINGS PER SHARE

71.0p

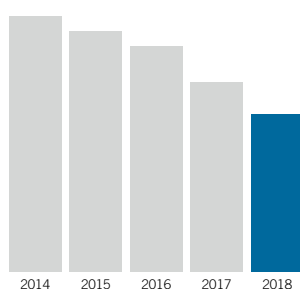


Throughout the Strategic Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 202 and 203. A summary of the adjustments from statutory to underlying results is shown on page 166 and further detailed in the consolidated income statement (page 108), reconciliation of free cash flow (page 113), note 1, segmental reporting (pages 122 to 125) and note 5, tax (pages 129 and 130).

## GLOBAL LOST TIME INCIDENT FREQUENCY RATE

-39%

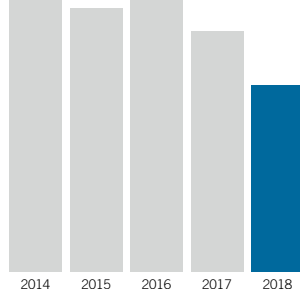
(since 2014)



## GLOBAL FOOD SAFETY INCIDENT RATE

-33%

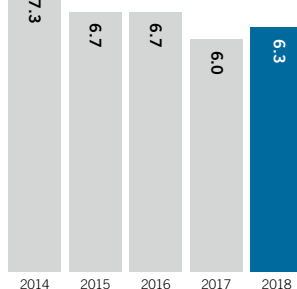
(since 2014)



## GREENHOUSE GAS INTENSITY RATIO

-14%

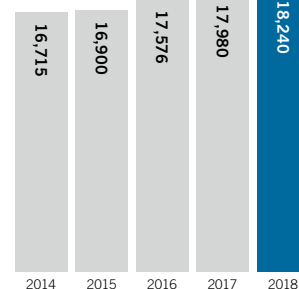
(since 2014)



## NUMBER OF SITES OFFERING HEALTHY EATING PROGRAMMES

+9%

(since 2014)





# People

We are committed to developing an inclusive and welcoming environment for all our people



We are proud that our US business has been ranked in the Forbes 2018 The Best Employers for Diversity list.

# We are the industry leader with a strategy focused on food

Food service is our core competence. We are the industry leader and create value for our clients and consumers by providing them with a range of dining solutions that are innovative, healthy and sustainable.

Our scale and focus on execution mean that we are typically the most efficient and lowest cost provider and can therefore offer clients and consumers the greatest value as well as the most exciting and innovative solutions.

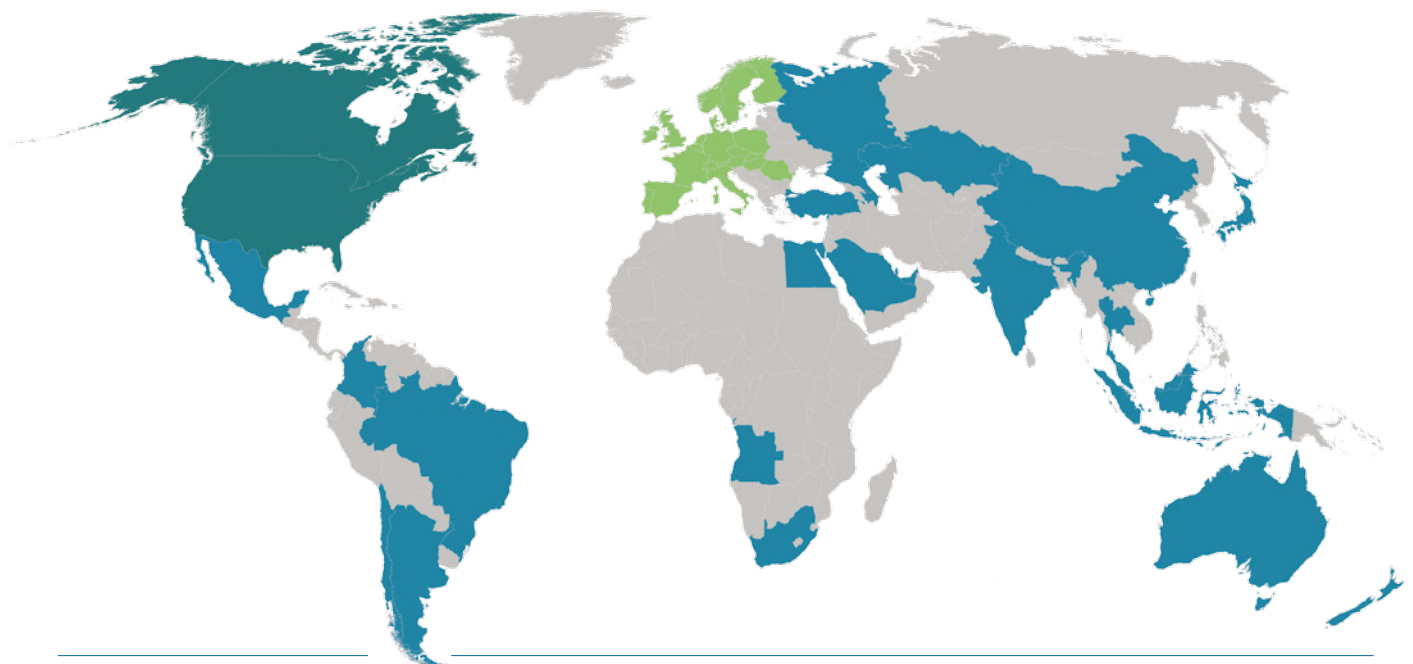
We have a global footprint and manage the business in three geographic regions. This gives us balanced exposure to developed but attractive markets in North America and Europe as well as emerging markets with exciting long term growth prospects.

**50** countries

**55,000** client locations

**600,000** colleagues

**5.5 billion** meals



**NORTH AMERICA**  
UNDERLYING REVENUE  
**£13,785m**  
(2017: £13,322m)

**59%**  
of Group total

**EUROPE**  
UNDERLYING REVENUE  
**£5,783m**  
(2017<sup>1</sup>: £5,598m)

**25%**  
of Group total

**REST OF WORLD**  
UNDERLYING REVENUE  
**£3,671m**  
(2017<sup>1</sup>: £3,932m)

**16%**  
of Group total

1. Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.



# Purpose

**As an industry leader, we understand the influence we can have on how food is produced and sourced**



Compass is a founding member of the Global Coalition for Animal Welfare (GCAW), an industry-led initiative that was launched in October 2018. In recognition of our ongoing commitment to advancing farm animal welfare, we have moved up from Tier 4 to Tier 3 in the Business Benchmark on Farm Animal Welfare.

# Significant structural growth opportunity across our core sectors and markets

We estimate that the addressable global food services market is currently worth in excess of £200 billion. We have around a 10% share of that market by sales which makes us the leading global provider. Given that approximately 75% of the market is serviced by regional players or in-house providers, we believe that there is a significant structural growth opportunity for us.

The market for food services continues to offer significant growth potential as we drive outsourcing and deliver a strong proposition across our core sectors and regions.

Compass provides outsourced food services around the world in a market worth over £200 billion. The five sectors in which Compass operates are: Business & Industry; Healthcare & Seniors; Education; Sports & Leisure; and Defence, Offshore & Remote. All five sectors continue to offer significant opportunities for growth.

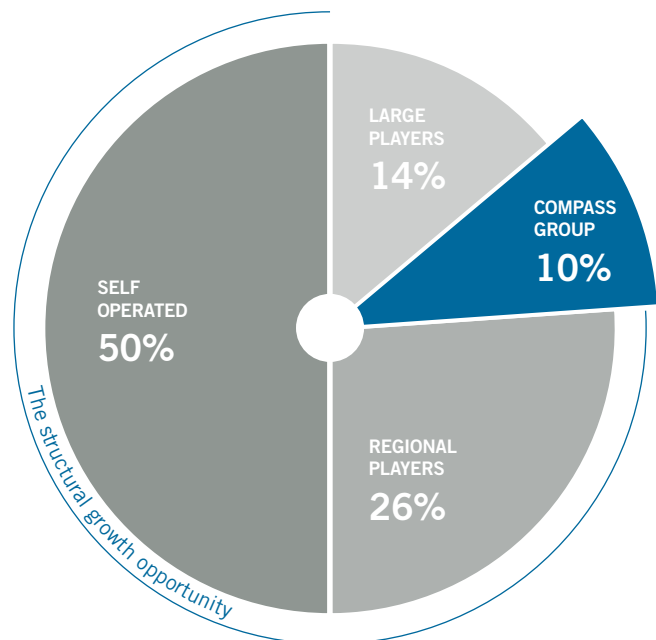
Food service remains at the core of the Compass offer. Business & Industry accounts for around 40% of this value, and this important sector continues to offer attractive growth opportunities. In more developed markets where outsourcing rates are routinely in excess of 60%, our combination of scale, efficiencies and best in class service delivery supports continued revenue growth. In emerging markets, outsourcing rates are still only around 10%, providing a significant opportunity for future growth.

The Healthcare & Seniors and Education sectors also continue to grow, with less than half of the addressable global market currently outsourced. We are developing best practices in areas such as our proposition for hospital visitors and nutritional meal planning in schools and, by sharing this expertise, we can better serve our clients and consumers across multiple markets.

Sports & Leisure is a highly outsourced sector with a global outlook in which we benefit from our strong reputation across key markets.

The Defence, Offshore & Remote sector offers opportunities to build lasting strategic relationships with large local and international operators. Creating strong client relationships allows us to respond positively to tougher market conditions. For example, in the basic commodities sector we have leveraged our cost base and changed our offer to retain business in the face of significant client budgetary pressure.

GLOBAL FOOD SERVICES MARKET c. £200bn



Numbers relating to market size and penetration rates are based on management estimates and a range of external data.

Supplementing our core food offer with targeted support services is attractive in certain markets and sectors, such as Healthcare & Seniors and Defence, Offshore & Remote. In these sectors, we are recognised for fulfilling the needs of clients who require excellent services with uncompromising quality.

In all the markets and regions in which Compass operates, we continue to build our business and our reputation based on our ongoing focus on health and safety, people, the environment and our firm commitment to responsible corporate practices.



# Understanding our clients

The global food services market is large and disparate. That is why we segment the market into various sectors and sub-sectors using our portfolio of B2B brands. It enables us to be closer to our clients and consumers to better understand their different needs. In this way, we can create innovative, bespoke offers that meet their specific requirements and, in doing so, truly differentiate ourselves.

**BUSINESS & INDUSTRY**  
**39%**  
 OF GROUP UNDERLYING REVENUE

We provide a choice of quality, nutritious and well balanced food for employees during their working day. We work with clients to enhance their employee proposition and help them create attractive and productive workplaces.



**HEALTHCARE & SENIORS**  
**24%**  
 OF GROUP UNDERLYING REVENUE

We are specialists in helping hospitals in the public and private sectors on their journey of managing efficiency and enhancing quality across a range of food and some support services. We have an increasing presence in the growing senior living market.



**EDUCATION**  
**18%**  
 OF GROUP UNDERLYING REVENUE

From kindergarten to college, we provide fun, nutritious dining solutions that help support academic achievement at the highest levels. We educate young people on how to have a happy, safe and healthy lifestyle while contributing to a sustainable world.



**SPORTS & LEISURE**  
**12%**  
 OF GROUP UNDERLYING REVENUE

Operating at some of the world's most prestigious sporting and leisure venues, exhibition centres, visitor attractions and major events, we have an enviable reputation for providing outstanding hospitality and true service excellence.



**DEFENCE, OFFSHORE & REMOTE**  
**7%**  
 OF GROUP UNDERLYING REVENUE

Through our established health and safety culture, we are a market leader in providing food and some support services to major companies in the oil, gas, mining and construction industries. For our defence sector clients, we are a partner that runs efficient operations outside areas of conflict.



# Consistent performance



**Paul Walsh**  
Chairman

## ANOTHER EXCELLENT YEAR

2018 was another excellent year for Compass as we continued to create value by delivering consistent and sustainable financial results. Revenues in North America once again grew strongly, performance in Europe accelerated and Rest of World progressed well. Margins improved further as we continued to focus on pricing and efficiencies. Details of our operational and financial performance can be found on pages 10 to 34.

We owe our success to our colleagues all over the world. Our performance is testimony to their passion and commitment to Compass and I would like to once again thank them for their hard work during the year.

## SHAREHOLDER RETURNS

As a result of our strong performance, the Board is recommending a 13.9% increase in the final dividend for the year of 25.4 pence per share (2017: 22.3 pence per share). This results in a total dividend for the year of 37.7 pence per share (2017: 33.5 pence per share), an increase of 12.5%. The final dividend will be paid on 25 February 2019 to shareholders on the register on 18 January 2019.

## SUCCESSION AND STRATEGY

On 31 December 2017, Richard Cousins, our long-standing Chief Executive whose retirement was planned for 31 March 2018, died tragically in a plane crash. We were all deeply shocked and saddened by Richard's passing. It was a great privilege to have known him personally and to work with him these last few years.

As a result of Richard's untimely death, Dominic Blakemore's appointment as Chief Executive was advanced from 1 April 2018 to 1 January 2018. Despite taking over in such sad circumstances, the

transition was seamless and Dominic has led the organisation resolutely to deliver another excellent set of results. Together with the Board, he also reviewed and refreshed our strategy, which he presented to investors in May.

The strategy, characterised by continuity and evolution, has our core food business at its heart. We will continue to drive our financial performance by delivering great food to clients and consumers combined with a rigorous focus on execution. As we seek to improve the quality and sustainability of our financial results we will be putting even more emphasis on people and social purpose. Our performance in 2018 reaffirms the Board's confidence in the strategy and business model, which are central to our long term success (see pages 10 to 13).

Our Group Finance Director, Johnny Thomson, will stand down from his role at the end of 2018. We are very grateful to Johnny for his significant contribution to Compass over the last nine years and wish him all the very best for the future. Karen Witts will succeed Johnny as Group Chief Financial Officer. Karen, who joins us from Kingfisher PLC, has financial and operational expertise that is highly complementary to our team and brings with her a wealth of experience in retail and technology. We very much look forward to working with Karen as we continue to execute our strategy and create value for shareholders.

## CORPORATE RESPONSIBILITY

Our people are central to our ability to achieve our goals in a responsible and sustainable manner. Two years ago, we sharpened our focus on this important area to support the longer term ambition of our business and stakeholders. As part of this strategic review, we agreed to proactively support the UN Sustainable Development Goals (SDGs) and selected those where we believe that we can make the most positive impact. There is still much more to do but I am pleased with the progress that we have made so far. See pages 38 to 43 and [www.compass-group.com](http://www.compass-group.com) for more about our activities.

## GOVERNANCE AND THE BOARD

Companies today are judged by their integrity and trustworthiness as much as by their financial performance. One of my key responsibilities as Chairman is to set the tone for Compass and ensure good governance (see pages 44 to 100). In this I have been extremely well supported by the members of the Board. With their diverse backgrounds, they bring balance and a wealth of skills and experience to our organisation that complements the talents of our executive team. I thank them all for their valuable contribution as we continue to maintain oversight of the strategic, operational and compliance risks across the Group, define our path to success and uphold the high standards expected of us.

In May 2018, we announced the appointments of Mrs Anne-Francoise Nesmes and Mr John Bryant as non-executive directors with effect from 1 July and 1 September 2018 respectively. These appointments form part of an ongoing review of Board membership to ensure that an appropriate number of independent non-executive directors is maintained through orderly succession and without

compromising the effectiveness of the Board and its committees. Don Robert's nine year term of appointment came to an end on 8 May 2018 and he retired from the Board on 31 May 2018. John Bason became the Senior Independent Director from 1 June 2018 in succession to Don.

We are delighted to welcome Anne-Francoise and John to the Board. I am confident that their backgrounds and experience will be invaluable assets to support the Company over the coming years. I would also like to thank Don for his outstanding contribution to Compass over the last nine years and to welcome John as the new Senior Independent Director.

## SUMMARY AND OUTLOOK

Compass had another very strong year. Revenue growth was healthy, driven by excellent growth in North America, an acceleration in Europe and good progress in Rest of World.

We continue to drive operating efficiencies around the business and were able to move the margin slightly forward, with improvements in Rest of World offsetting a more difficult volume and cost environment in Europe, especially the UK.

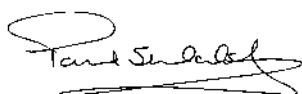
Given the excellent cash generation and overall strength of the Group, we have invested in the business to support the exciting long term growth opportunities we see. At the same time, we continued to reward our shareholders with strong dividend growth while reducing our leverage back to our target of 1.5x net debt to EBITDA.

We are making progress with our strategy to focus on Performance, People and Purpose. We have codified our best practices around the Group and will now use our Management and Performance (MAP) framework to roll them out across our larger markets.

We are actively managing the portfolio to increase our focus on food and are in the process of disposing of up to 5% of revenues in non-core businesses. We continually look at bolt-on acquisition opportunities that strengthen our offer and meet our strict returns criteria.

Our expectations for FY2019 are positive. The pipeline of new contracts is strong and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress. We expect organic growth to be in the middle of our 4-6% range with modest margin progression.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue growth and margin improvement, combined with further returns to shareholders.



**Paul Walsh**  
Chairman

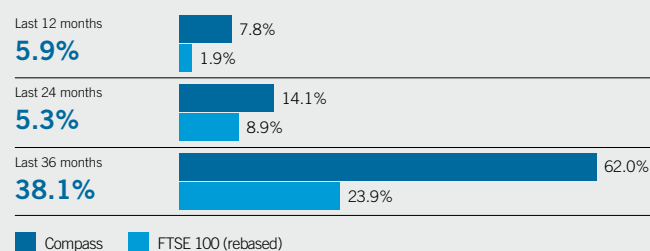
20 November 2018

## POSITION IN FTSE 100 INDEX AS AT 30 SEPTEMBER 2018

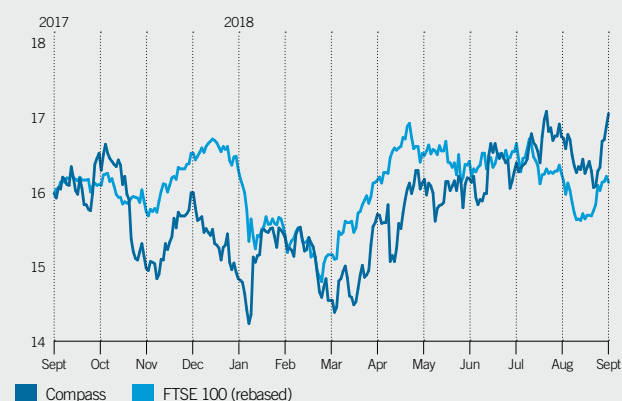
# 20

(2017: 25)

## COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 OVER LAST 3 YEARS (%)



## COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 INDEX (£)



# A differentiated approach

## A business model for organic growth



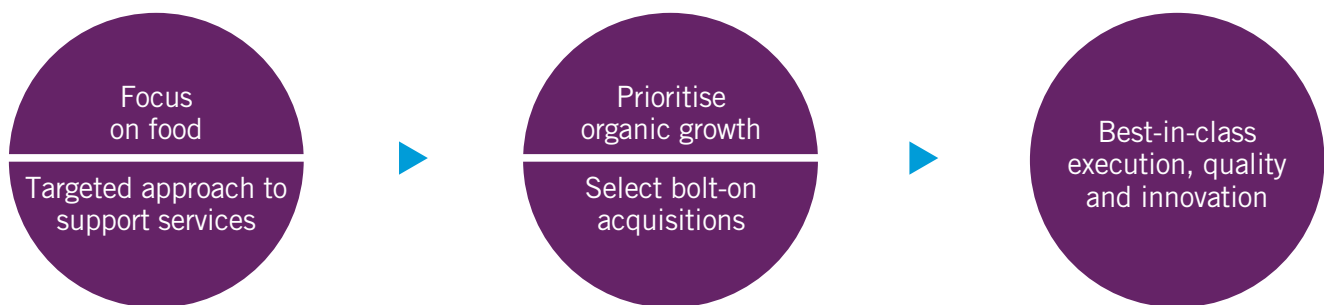
Our business model begins with organic growth, which we drive by sectorising and sub-sectorising our business. This approach differentiates us, and allows us to get close to our customers and create bespoke and innovative solutions. Organic growth is supplemented by small and medium sized acquisitions that add capability or scale in our existing markets.

We focus on operational execution and generate efficiencies by optimising our supply chain and diligently managing our food and labour costs. These efficiencies enable us to reinvest in the significant growth opportunities around the Group and to improve margins.

Our organic revenue growth, the scale it creates and our focus on cost and efficiencies give us a competitive advantage. We can provide our clients and consumers the best value in terms of quality and cost and this, combined with sectorisation, helps drive long term sustainable organic revenue growth.

Our people lie at the heart of our business. Our aim is to nurture an engaged and highly capable workforce to win new business, manage our units efficiently and effectively, and deliver the healthiest, most innovative food solutions in a way that provides an exceptional experience to our clients and consumers.

## A strategy for shareholder value



### OUR PRIORITIES

Food is our focus and our core competence. We take a pragmatic and targeted approach to other support services, developing strategies on a country by country basis.

### TO DRIVE GROWTH

Our preference is to grow organically given that it yields the highest returns and leverages the significant structural growth opportunity in the global food services market. However, we also seek to invest in small to medium sized acquisitions, but only if they are attractive targets that have the right cultural fit and further strengthen our organic growth capabilities.

### AND DELIVER FOR CLIENTS

We are committed to providing the best quality and value to our clients with best-in-class execution. We have increased our focus on innovation in our core food business to bring more variety and excitement to our offer as well as to improve our operations.

Our values guide our actions and behaviours



### **OPENNESS, TRUST AND INTEGRITY**

We set the highest ethical and professional standards at all times. We want all our relationships to be based on honesty, respect, fairness and a commitment to open dialogue and transparency.



### **PASSION FOR QUALITY**

We are passionate about delivering superior food and service and take pride in achieving this. We look to replicate success, learn from mistakes and develop the ideas, innovation and practices that will help us improve and lead our market.



### **WIN THROUGH TEAMWORK**

We encourage individual ownership, but work as a team. We value the expertise, individuality and contribution of all colleagues, working in support of each other and readily sharing good practice in pursuit of shared goals.



### **RESPONSIBILITY**

We take responsibility for our actions, individually and as a Group. Every day, everywhere we look to make a positive contribution to the health and wellbeing of our customers, the communities we work in and the world we live in.



### **CAN-DO SAFELY**

We take a positive and commercially aware 'can-do' approach to the opportunities and challenges we face; we always put safety first in everything we do.



# Long term stakeholder value

Our strategy is to focus on food and our model for creating value remains unchanged. Its longevity is down to its simplicity and proven success.

Food is our focus and our core competence. We take a pragmatic and targeted approach to other support services. We prioritise organic growth and invest in the business to drive new business and retention (MAP 1) and consumer sales (MAP 2). We focus relentlessly on costs: this includes managing the cost of food (MAP 3), in unit labour costs and overheads (MAP 4) and what we term above unit overheads (MAP 5). In large markets our scale enables us to have lower food costs and to better leverage our overhead costs. Operational efficiency and effectiveness are key to improving margins.

This focus on organic revenue growth and margins helps grow our earnings and cash flow. Our priorities for cash are clear and simple. We invest to support organic revenue growth of 4-6% and to generate further efficiencies to modestly improve margins. Capital expenditure can be up to 3.5% of sales. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two.

Having invested to support and maintain the long term growth prospects of the business, we reward our shareholders with our ordinary dividend which grows in line with constant currency earnings. In addition, we return any surplus capital that is not reinvested in the business we return to shareholders via share buybacks or special dividends to maintain net debt/ EBITDA around 1.5x.



We use the Management and Performance (MAP) framework across the business.

## MAP 1: CLIENT SALES AND MARKETING

MAP 1 is about winning new business and retaining our existing clients. We invest in sales and retention and are increasingly sectorising and sub-sectorising the business around the world to allow us to get closer to our customers. This approach allows us to develop bespoke offers that best meet our clients' needs.

## MAP 2: CONSUMER SALES AND MARKETING

Like for like revenue consists of both volume and price. Therefore, it is heavily influenced both by the number of people at a client's site and by macroeconomic conditions. We are making good progress with intelligent marketing programmes and training schemes as we work hard to attract and satisfy our customer base with strong consumer propositions.

## MAP 3: COST OF FOOD

Food makes up around one third of our costs. In addition to the benefits of our scale in food procurement, we are able to manage food costs through careful menu planning and by rationalising the number of products we buy and the suppliers we buy them from.

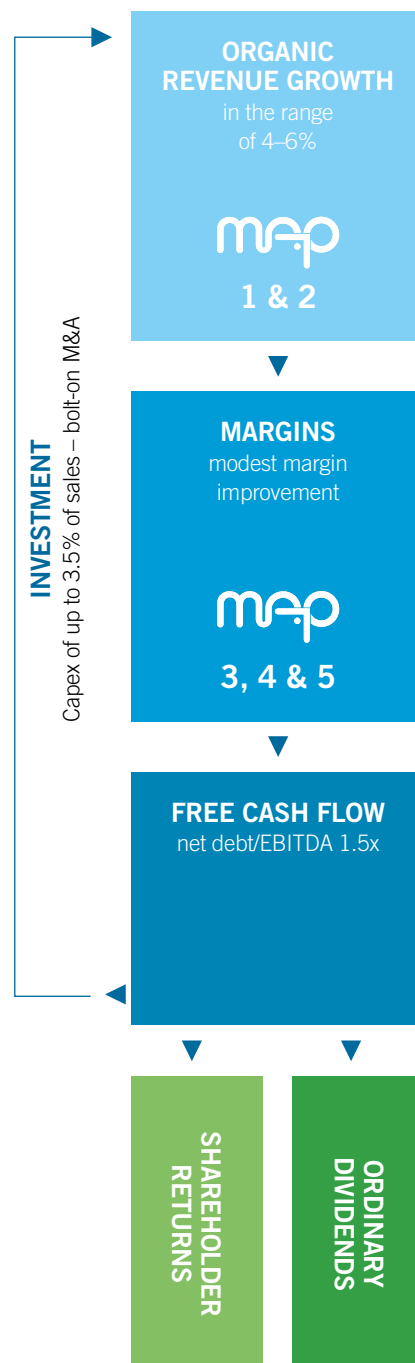
## MAP 4: IN UNIT COSTS

In unit costs are made up predominantly of labour. We focus on getting the right people in the right place at the right time. By using labour scheduling techniques and improving productivity, we are able to deliver the optimum level of service in the most efficient way.

## MAP 5: ABOVE UNIT OVERHEADS

Having reduced the percentage of above unit overheads considerably since MAP was first introduced in 2006 by creating a simpler organisational model with fewer layers of management and less bureaucracy, we now strive to leverage those gains by maintaining overheads low whilst we continue to grow revenue.

## HOW WE CREATE VALUE



## WHO WE CREATE VALUE FOR

We have a wide range of stakeholders that includes clients, consumers, colleagues, suppliers and shareholders as well as the communities in which we operate. We seek to create value for all our stakeholders and aim to engage with them and take into account their feedback, incorporating it where we can, to ensure that we all benefit from Compass' success.

### PERFORMANCE

#### CLIENTS & CONSUMERS

We have a diverse range of clients, from large corporations and hospitals to schools, universities and sports arenas. We have an even wider range of consumers in terms of the employees, students, patients and sports fans that come to our restaurants and cafés at our client sites.

Across this extraordinarily diverse base, we are conscious of the need to offer all of our clients and consumers 'value' in terms of cost, quality, and innovation. We also work closely with them to promote and drive a nutritional health and wellness agenda that suits the needs of their specific organisation and paves the way for healthier, more balanced lifestyles.

#### INVESTORS

We create long term value for our investors by focusing on our core food business and delivering sustainable organic revenue growth between 4-6% with modest margin improvement and strong cash generation. We reinvest in the business via capital expenditure and bolt-on M&A to support the long term growth prospects of the business and reward shareholders via the ordinary dividend, special dividends and share buybacks. Within this framework we promote the links between sustainable operations and long term financial success.

### PEOPLE

#### OUR PEOPLE

Compass is a people-powered business. Our c.600,000 colleagues are fundamental to delivering high quality food and service and maintaining our reputation.

We continue to develop and promote our talent. This year, two thirds of our operational appointments into our leadership group were internal. Promoting internally helps us share learnings more quickly, and builds and strengthens the Compass culture which is so important to our success.

We continue to focus on the engagement of our people and, this year, we significantly increased our engagement with face to face conversations with colleagues in markets that account for 90% of our revenue to gain a deeper understanding of their views. They told us that the camaraderie that comes from being part of a high performing team, and more focus on recognition, training and promotion were key to increasing their levels of engagement.

As a result, we are investing further in unit manager training and development, and launching a Group wide leadership programme aimed solely at unit managers to help them engage, lead and motivate their teams in unit even more effectively.

We continue to make progress on our diversity and inclusion agenda. In the last year we have improved all our ratios across populations in the key focus area of gender diversity, increasing female representation as follows:

- Executive Board: 11% to 25%
- Leadership group: 28% to 30%
- Management: 40% to 42%

We continue to focus on developing an inclusive and welcoming environment for all people with diverse backgrounds, talents, skills and abilities through our people strategy, including our approach to succession planning, development opportunities and the way we recruit and attract.

### PURPOSE

#### CONSUMERS, COLLEAGUES, SUPPLIERS & THE ENVIRONMENT

Having a purpose matters, in business as in life: companies perform best over time if their purpose goes beyond profit. Consumers will tend to recommend a company with purpose and younger generations want to work for an organisation with a positive impact on the world.

At the same time, every business has a social impact on the life of employees, customers and suppliers, their families and communities. This is why at Compass we decided to embrace a new social purpose around two cornerstones: safety as care and a renewed commitment to sustainability.

We believe that caring for each other is what will drive us to further improve our global performance both in occupational and food safety. And we believe that renewing our commitment to people's health and wellbeing, environment, responsible sourcing and local communities is the way to make our growth sustainable in the long term. Simply put, we are committed to do the right thing.

We have a fantastic opportunity to educate our consumers and our people on health and wellness and to drive healthy menus more actively and more broadly across our client base.

We are also championing initiatives that help the environment. Stop Food Waste Day began in the USA in 2017 and expanded into a global programme in 2018. We are considering other new initiatives around packaging and plastics that benefit the environment and change behaviour for good.

We also continue to collaborate with our partners throughout the entire supply chain to deliver sustainable, scalable and secure solutions for food and its production to ensure that we source our food and non-food products in a transparent and sustainable manner.

# A sharper focus



**Dominic Blakemore**  
Group Chief Executive

## 2018 PERFORMANCE

I'm delighted to report that Compass had another strong year. Since taking over in January 2018, my main priority has been to continue to drive the business forward and deliver the financial performance and value creation that our stakeholders have come to expect from Compass.

Revenue for the Group grew by 5.5% on an organic basis. New business wins were 9.1% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was 94.9% as a result of our ongoing focus and investment, and like for like revenue grew by 1.5% reflecting sensible price increases partially offset by weak volumes in our commodity related business and in the UK. On a statutory basis, revenue grew by 1.8%, which reflects 5.5% organic growth offset by an impact of 3.7%, mainly due to adverse currency movements.

Underlying operating profit increased by 7.1% on a constant currency basis. Operating profit margin increased modestly as we continue to work hard to drive efficiencies across the business. We have maintained our focus on MAP 3 (cost of food) with initiatives such as supplier and product rationalisation, menu planning and waste reduction programmes. Optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads) with initiatives around better labour scheduling, workforce management, work design and an increased focus on training and retention have become ever more important in markets like the UK and the USA where labour inflation has been accelerating. These efficiencies combined with price increases have enabled us to offset cost pressures and continue to reinvest in the business to support the exciting growth opportunities we see around the world. On a statutory basis,

operating profit grew by 1.5%, which reflects a 6.4% increase organically, offset by an impact of 4.9%, mainly due to the adverse impact of currency translation.

As a result of the business' continued strong earnings growth and cash flow generation we declared an annual dividend of 37.7 pence per share, up 12.5% on the prior year.

## GROUP STRATEGY

We have refreshed our strategy to ensure that we improve the long term quality and sustainability of our financial results. In addition to financial performance, companies are increasingly expected to manage social and environmental matters and demonstrate the good corporate practices that are so essential to sustainable long term growth. By stepping up the intensity with which we manage the business and with a disciplined focus on Performance, People and Purpose as our main strategic priorities, we are well placed to continue to create sustainable long term value for all of our stakeholders.



## PERFORMANCE

We remain focused on food, our core competence. The food services market is estimated to be more than £200 billion. With only about 50% of the market currently outsourced and another 26% of the market in the hands of small and regional players, we see a large and exciting structural growth opportunity.

The large and disparate nature of the food services market makes it impossible to offer clients a one size fits all solution. Therefore, we segment the market into various sectors and subsectors using our portfolio of B2B brands. This allows us to get close to our clients, understand their needs and create different and exciting offers that meet their requirements and differentiate us from the competition.

We are the largest player in the market. As we continue to grow and increase our scale, we further consolidate our competitive advantage and our position as the most efficient provider. This allows us to offer our clients and consumers the most exciting and innovative solutions, as well as the best value.

The ability to innovate is also very important to help meet our clients' and consumers' rapidly evolving tastes and needs. We have industry leading chefs who develop varied menus that reflect food trends in different markets. In North America, we also have a team that develops industry leading digital solutions for our clients including the use of apps and kiosks as well as a team dedicated to data analytics.

## MAP CULTURE

For over 10 years, we have used our Management and Performance (MAP) framework to drive performance across the business. It is a simple framework that we all use to help us focus on a common set of business drivers, whether it is winning new business in the right sectors with the right terms (MAP 1), increasing our consumer participation and spend (MAP 2), reducing our food costs (MAP 3), our labour costs (MAP 4) or our overheads (MAP 5).

We are stepping up the intensity with which we manage performance and will continue to use MAP to ensure we have a disciplined focus on execution.

We already have good processes with regards to sales and retention (MAP 1). We have developed a suite of best practices and processes to help us execute with more intensity and consistency across the Group. Our areas of focus will be pricing (MAP 2), purchasing (MAP 3) and productivity (MAP 4). We will start with our top 10 markets and expand the roll out and adoption to other markets in due course.

## PORTFOLIO

To continue to drive our performance we are actively managing our portfolio of businesses. Targeted and disciplined bolt-on acquisitions strengthen our capabilities and are an important way to enhance our organic growth potential. M&A has also proven to be an extraordinary source of talent. This year, our largest acquisition was Unidine in the USA which strengthened our capability in the growing and attractive senior living segment.

We have also decided to simplify our portfolio. This will allow us to focus on food, our core competence, in our key markets. The process will involve the disposal (and in the case of some smaller markets, exit) of up to 5% of revenues of non-core support services or food businesses based on their potential – be that market growth, scalability, or our own position and capability. For example, in 2018 we have sold our 'meals on wheels' business in the USA and exited Gabon.

## PEOPLE

People are our biggest source of competitive advantage and the key to delivering great food and services to our clients and consumers together with great financial results. We are in the process of further enhancing our employee proposition to ensure we have an engaged, high performing, and fulfilled workforce that truly reflects the diversity of the societies we live in and the communities we serve.

We are committed to giving our people the safest and fairest environment in which to work. In addition, we are leveraging our market leadership and our great culture to:

- attract and develop the best leaders
- recruit, retain and develop the highest quality unit managers in the industry
- have the best and most inclusive work places in the world with a fully engaged workforce
- have a diverse workforce that mirrors the communities in which we operate

You can read more about what we are doing to improve our people proposition on pages 26 to 27.

## PURPOSE

Our purpose is first and foremost a social purpose, the foundation of which is a safety culture built around caring for people combined with personal and food safety. In addition, we want to integrate our sustainability strategy into the business. It will focus on:

- increasing the role of health & wellbeing in our value proposition
- taking targeted actions where we can make the greatest environmental difference
- driving positive outcomes beyond our business to make the world a better place, such as our continued work with our suppliers to source product responsibly and our commitment to enriching local communities

We already have a strong commitment to corporate responsibility and great initiatives like our global Stop Food Waste Day. We are now building on this existing strength and working more proactively with our clients and consumers in those areas.

You can read more about what we are doing in this area on pages 38 to 43 and on [www.compass-group.com](http://www.compass-group.com).

## CASH, BALANCE SHEET AND RETURNS TO SHAREHOLDERS

Excellent cash flow generation, a strong balance sheet and returns to shareholders continue to be an integral part of our business model. Our priorities for how we use our cash remain unchanged. We will continue to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) grow the dividend in line with underlying constant currency earnings per share; (iii) pursue M&A opportunities; our preference is for small to medium sized bolt-on acquisitions, where we look for returns greater than the cost of capital by the end of year two; (iv) maintain strong investment grade credit ratings by returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

## SUMMARY AND OUTLOOK

Compass had another very strong year. Revenue growth was healthy, driven by excellent growth in North America, an acceleration in Europe and good progress in Rest of World.

We continue to drive operating efficiencies around the business and were able to move the margin slightly forward, with improvements in Rest of World offsetting a more difficult volume and cost environment in Europe, especially the UK.

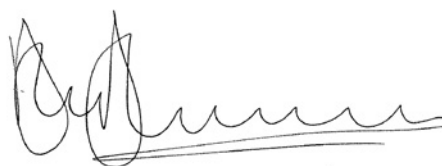
Given the excellent cash generation and overall strength of the Group, we have invested in the business to support the exciting long term growth opportunities we see. At the same time, we continued to reward our shareholders with strong dividend growth while reducing our leverage back to our target of 1.5x net debt to EBITDA.

We are making progress with our strategy to focus on Performance, People and Purpose. We have codified our best practices around the Group and will now use our Management and Performance (MAP) framework to roll them out across our larger markets.

We are actively managing the portfolio to increase our focus on food and are in the process of disposing of up to 5% of revenues in non-core businesses. We continually look at bolt-on acquisition opportunities that strengthen our offer and meet our strict returns criteria.

Our expectations for FY2019 are positive. The pipeline of new contracts is strong and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress. We expect organic growth to be in the middle of our 4-6% range with modest margin progression.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue growth and margin improvement, combined with further returns to shareholders.



**Dominic Blakemore**  
Group Chief Executive

20 November 2018



# Performance

Innovation is important to us and helps us meet the evolving tastes and needs of our clients and consumers. Our industry leading chefs are passionate about developing menus that reflect food trends in our different markets

**FASTCOMPANY**  
**THE WORLD'S 50**  
**MOST INNOVATIVE**  
**COMPANIES 2018**

In 2018, Compass was ranked the number one food service company in the Fast Company list of the world's top 50 innovative companies.

# Measuring progress

We track our performance against a mix of financial and non-financial measures, which we believe best reflect our strategic priorities of growth, efficiency and shareholder returns underpinned by safe and responsible working practices.

## KPI METRICS

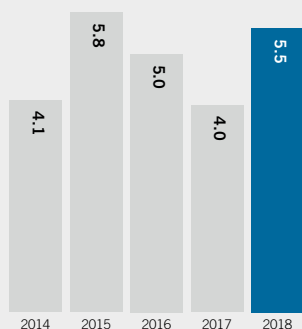
Our strategic priorities are driven by our goal to deliver shareholder value and we use a number of financial KPIs to measure our progress. Growing the business and driving ongoing efficiencies are integral to our strategy. The importance of safety in everything we do is demonstrated by three non-financial performance indicators that we use across our business.

### STRATEGIC FINANCIAL

#### ORGANIC REVENUE GROWTH

Organic revenue growth compares the underlying revenue delivered from continuing operations in the current year with that from the prior year, adjusting for the impact of acquisitions, disposals and exchange rate movements.

**5.5%**



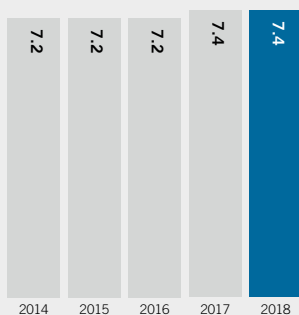
#### WHY WE MEASURE

Our organic revenue performance embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.

#### UNDERLYING OPERATING MARGIN

Underlying operating margin divides the underlying operating profit before share of profit of associates by the underlying revenue.

**7.4%**



#### WHY WE MEASURE

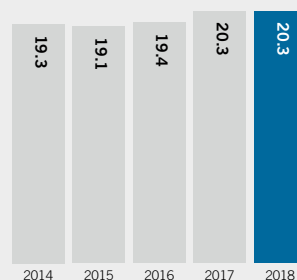
The operating profit margin is an important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.

### FINANCIAL

#### RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE divides the net operating profit after tax (NOPAT) by the 12 month average capital employed. NOPAT is calculated as underlying operating profit less operating profit of non-controlling interests, net of income tax at the underlying rate of the year.

**20.3%**



#### WHY WE MEASURE

ROCE demonstrates how we have delivered against the various investments we make in the business, be it operational expenditure, capital expenditure or infill acquisitions.

### NON-FINANCIAL

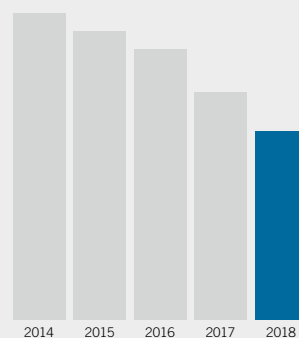
#### HEALTH AND SAFETY

#### GLOBAL LOST TIME INCIDENT FREQUENCY RATE

Cases where one of our colleagues is away from work for one or more shifts as a result of a work related injury or illness.

**-39%**

(since 2014)



#### WHY WE MEASURE

A reduction in lost time incidents is an important measure of the effectiveness of our safety culture. It also lowers rates of absenteeism and costs associated with work related injuries and illnesses.

Throughout the Strategic Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more



The Group KPIs should be read in conjunction with the Strategy and Risk sections.

See pages 10 to 13 and 35 to 37 respectively

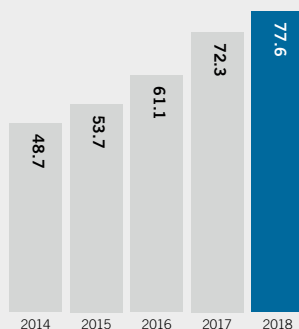
## UNDERLYING BASIC EARNINGS PER SHARE

Underlying basic earnings per share divides the underlying attributable profit by the weighted average number of shares in issue during the year.

### WHY WE MEASURE

Earnings per share measures the performance of the Group in delivering value to shareholders.

# 77.6p



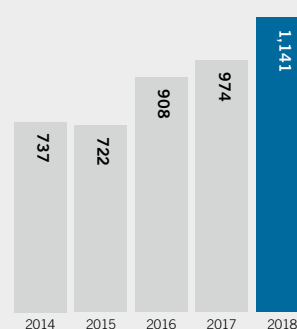
## UNDERLYING FREE CASH FLOW

Measures cash generated by continuing operations, after working capital, capital expenditure, interest and tax but before acquisitions, disposals, dividends and share buybacks.

### WHY WE MEASURE

Measures the success of the Group in turning profit into cash through the careful management of working capital and capital expenditure. Maintaining a high level of cash generation supports our progressive dividend policy.

# £1,141m



## FOOD SAFETY GLOBAL FOOD SAFETY INCIDENT RATE

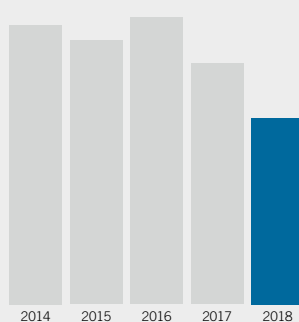
Cases of substantiated food safety incidents, including food borne illnesses.

### WHY WE MEASURE

The Food Safety Incident Rate is a helpful measure of our ability to provide food that is safe and of the right quality to our consumers globally.

# -33%

(since 2014)



## ENVIRONMENT GHG INTENSITY RATIO

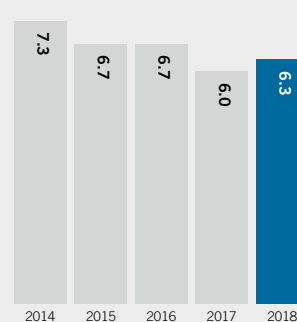
GHG intensity ratio relating to the top 20 countries, which represent 94% of total Group revenue.

### WHY WE MEASURE

Since 2008, we have been focused on lowering our carbon emissions to reduce our impact on the environment and increase operational efficiency. We measure greenhouse gas emissions to assess our progress.

# -14%

(since 2014)



useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 202 and 203. A summary of the adjustments from statutory to underlying results is shown on page 166 and further detailed in the consolidated income statement (page 108), reconciliation of free cash flow (page 113), note 1, segmental reporting (pages 122 to 125) and note 5, tax (pages 129 and 130).

# North America



Our North American business delivered a very strong performance, with organic revenue growth of 7.8%. Growth was driven by good levels of new business wins and the retention rate remained excellent at around 97%. Like for like revenue growth was positive reflecting pricing and some positive volumes, especially in Sports & Leisure, offsetting ongoing declines in the Offshore & Remote sector, which remained challenging.

Our Business & Industry sector growth was driven by double digit new business. New contract wins include Lockheed Martin, Nvidia and Honda Canada.

Strong organic growth in our Healthcare & Seniors sector was driven by good net new business. New contract wins include Inspira Health Network, as well as additional business with HumanGood senior dining and Regional Health system.

A solid organic revenue performance in our Education sector reflects good retention and some like for like growth. Contract wins include the San José State University, Florida International University and Emerson College.

With a retention rate of close to 100%, and some improvements in like for like volumes, our Sports & Leisure business continues to deliver a strong organic revenue growth performance. Contract wins include the Levi's Stadium, home of the San Francisco 49ers and the Kentucky International Convention Center.

Our small Offshore & Remote business remains challenging due to ongoing volume declines, pricing pressures and client closures.

Underlying operating profit of £1,120 million increased by 9.2% (£94 million) on a constant currency basis. Margins were maintained with the benefits of ongoing efficiency initiatives offset by above average labour inflation and higher mobilisation costs.



#### UNDERLYING REVENUE

**£13,785m**  
(2017: £13,322m)

#### ORGANIC REVENUE GROWTH

**+7.8%**  
(2017: +7.1%)

#### UNDERLYING OPERATING PROFIT

**£1,120m**  
(2017: £1,082m)

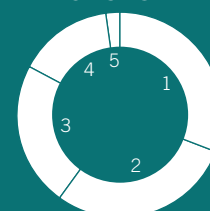
#### UNDERLYING OPERATING MARGIN

**8.1%**  
(2017: 8.1%)

#### CONTRIBUTION TO GROUP REVENUE

**59.3%**  
(2017: 58.3%)

#### UNDERLYING REVENUE BY SECTOR



- 1. Business & Industry 31%
- 2. Healthcare & Seniors 29%
- 3. Education 23%
- 4. Sports & Leisure 15%
- 5. Defence, Offshore & Remote 2%

#### FINANCIAL SUMMARY

	UNDERLYING		REPORTED RATES	CHANGE	
	2018	2017		CONSTANT CURRENCY	ORGANIC
Revenue	<b>£13,785m</b>	£13,322m	3.5%	9.1%	7.8%
Operating profit	<b>£1,120m</b>	£1,082m	3.5%	9.2%	8.1%
Operating margin	<b>8.1%</b>	8.1%	—		
Region as a % of Group revenue	<b>59.3%</b>	58.3%			

# Europe



Organic revenue in Europe accelerated in the second half of the year as expected, with growth of 2.1% for the full year reflecting improving net new business, especially in the UK, Spain and in DACH (Germany, Austria and Switzerland).

Our new business performance includes contract wins with ING in the UK and the Netherlands, Generali in France, Aker BP in Norway and TAP in Portugal. Contract extensions include Peugeot in France, Total in Belgium, Siemens in Switzerland and Virgin Trains in the UK.

Underlying operating profit declined by 4.4% (£18 million) on a constant currency basis. The benefits from the cost of change actions taken in the first half of the year have been delivered in the second half of the year as expected, and the profit decline has stabilised in the fourth quarter. However, these benefits were not sufficient to offset the challenging volume and cost environment in the UK and additional mobilisation costs associated with the higher levels of organic revenue growth in the second half of the year. As a result, the underlying operating margin declined by 50 basis points to 6.8%.





### UNDERLYING REVENUE

**£5,783m**  
(2017<sup>1</sup>: £5,598m)

### ORGANIC REVENUE GROWTH

**+2.1%**  
(2017<sup>1</sup>: +0.9%)

### UNDERLYING OPERATING PROFIT

**£395m**  
(2017<sup>1</sup>: £411m)

### UNDERLYING OPERATING MARGIN

**6.8%**  
(2017<sup>1</sup>: 7.3%)

### CONTRIBUTION TO GROUP REVENUE

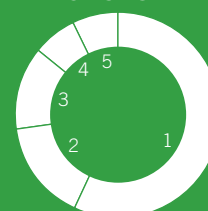
**24.9%**  
(2017<sup>1</sup>: 24.5%)

## FINANCIAL SUMMARY

	UNDERLYING		REPORTED RATES	CHANGE	
	2018	2017 <sup>1</sup>		CONSTANT CURRENCY	ORGANIC
Revenue	<b>£5,783m</b>	£5,598m	3.3%	2.7%	2.1%
Operating profit	<b>£395m</b>	£411m	(3.9)%	(4.4)%	(4.6)%
Operating margin	<b>6.8%</b>	7.3%	(50)bps		
Region as a % of Group revenue	<b>24.9%</b>	24.5%			

1. Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.

### UNDERLYING REVENUE BY SECTOR



1. Business & Industry	57%
2. Healthcare & Seniors	16%
3. Education	13%
4. Sports & Leisure	7%
5. Defence, Offshore & Remote	7%

# Rest of World

Organic revenue in our Rest of World region grew by 2.9%. Excluding the Offshore & Remote business, organic revenue grew by 5.0% driven by a strong performance in Turkey and Spanish speaking Latin America. The Offshore & Remote business declined by 3.0%, a faster rate than the first half of the year as one of the last large construction contracts in Australia moved into production towards the end of the financial year.

Outside Australia, our commodity related business is stabilising and we have been winning and retaining contracts including Total in Argentina, Codelco Andina in Chile and Drummond in Colombia.

The Business & Industry, Healthcare and Education sectors of the region, especially in India, China and Turkey, continue to experience good growth, however Brazil remains challenging. New business wins include BIBS in China, Google in India, National Gallery of Victoria in Australia and Banvit in Turkey. We continue to retain contracts with The Warehouse in New Zealand, Kumamoto University Hospital in Japan and Mondelez in Brazil.

Underlying operating margins improved, reflecting the continued benefits from our 2015-2016 restructuring programme, improved overhead leverage in growing markets and the timing of contracts moving from construction to production. Underlying operating profit improved by 14.5% (£35 million) on a constant currency basis, with an underlying margin improvement of 80 basis points to 7.5%.



### UNDERLYING REVENUE

**£3,671m**  
(2017<sup>1</sup>: £3,932m)

### ORGANIC REVENUE GROWTH

**+2.9%**  
(2017<sup>1</sup>: -1.2%)

### UNDERLYING OPERATING PROFIT

**£276m**  
(2017<sup>1</sup>: £265m)

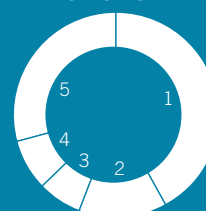
### UNDERLYING OPERATING MARGIN

**7.5%**  
(2017<sup>1</sup>: 6.7%)

### CONTRIBUTION TO GROUP REVENUE

**15.8%**  
(2017<sup>1</sup>: 17.2%)

### UNDERLYING REVENUE BY SECTOR



- 1. Business & Industry 42%
- 2. Healthcare & Seniors 14%
- 3. Education 7%
- 4. Sports & Leisure 8%
- 5. Defence, Offshore & Remote 29%

### FINANCIAL SUMMARY

	UNDERLYING		REPORTED RATES	CHANGE	
	2018	2017		CONSTANT CURRENCY	ORGANIC
Revenue	<b>£3,671m</b>	£3,932m	(6.6)%	2.6%	2.9%
Operating profit	<b>£276m</b>	£265m	4.2%	14.5%	15.1%
Operating margin	<b>7.5%</b>	6.7%	80bps		
Region as a % of Group revenue	<b>15.8%</b>	17.2%			

1. Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.

# A renewed commitment



**Robin Mills**  
Group HR Director

## BEING A TRUE PEOPLE BUSINESS

The focus on our people has never been greater at Compass, and we regard our people, and the way we organise, engage and motivate them, as our critical competitive advantage. This year saw the important transition of our Group CEO from Richard Cousins to Dominic Blakemore, the result of careful succession planning. Continuity and careful talent management take place across the Group and are a foundation of our success.

## A FOCUS ON LEADERSHIP

In all, 27 senior operational executives were appointed to roles in the leadership group of around 350, two thirds of whom were internal appointments. This is the ratio we believe provides the right level of continuity and business knowledge, balanced with fresh ideas, experience and skills from other industries and sectors. Internal promotion helps us share learnings more quickly, and builds and strengthens the Compass culture which is so important to our success – a performance focus whilst using humility and individual personality to build strong relationships inside and outside the organisation.

We aim to continue our succession planning processes with this ratio in mind.

## EVEN HIGHER LEVELS OF ENGAGEMENT

Our success comes from the dedication and expertise of our unit teams. This year we announced a significant investment in engagement and have undertaken face to face conversations with colleagues in markets that account for 90% of our revenue to gain an even deeper understanding of their views, what we mean to them, and how we build fair and engaging workplaces. Rather than embarking on the traditional attitude survey and questionnaire based activity, we sought authentic insight through nearly 1,000 hours of face to face conversations, and over 200 hours of focus

groups. Our colleagues told us that they value the camaraderie that comes from being part of a high performing team, and that more focus on recognition, training and promotion were key to increasing their levels of engagement.

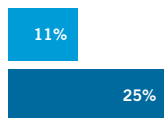
## THE BEST UNIT MANAGERS

As a result we are investing further in unit manager training and development, and launching a Group wide leadership programme aimed solely at unit managers to help them engage, lead and motivate their teams even more effectively.

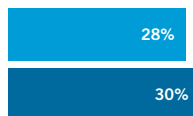
## A WELCOME FOR ALL

We continue to make progress on our diversity and inclusion agenda and in the last year have improved all our ratios across populations in the key focus area of gender diversity.

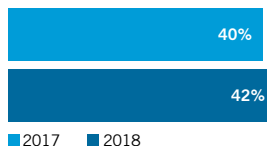
## EXECUTIVE BOARD (% FEMALE)



## LEADERSHIP GROUP (% FEMALE)



## MANAGEMENT (% FEMALE)



At the same time, we continue to focus on developing an inclusive and welcoming environment for all people with diverse backgrounds, perspectives, talents, skills and abilities through our people strategy including our approach to succession planning, development opportunities and the way we recruit and attract. We have received recognition in a number of our geographies for the actions we have taken so far with particularly noteworthy examples in the US, Australia and Japan.

There is more work to do here and we are optimistic our implementation of Diversity and Inclusion Action Councils across the Group, the continued use of clear measures and objectives, and our approach to fairness will continue to move us in the right direction.

## QUALITY PEOPLE, IN A FRAMEWORK OF CLEAR ACCOUNTABILITY

Our success comes from developing and recruiting the best people, and giving them clear accountability within a simple framework of clear values and priorities.

Our organisational model remains unchanged, but our energy and focus on our people continues to grow.



# People

**We are committed to attracting new talent and developing our existing people through apprenticeship programmes, graduate schemes and on the job training**

# 700+

In the UK business, we have more than 700 apprentices working across our sectors, developing the skills, knowledge and behaviours to become high performers.

# Strong performance



**Johnny Thomson**  
Group Finance Director

2018 has been another strong year with good organic revenue growth of 5.5%, underlying margin of 7.4% and an increase in free cash flow of 17.1%.

## FINANCIAL SUMMARY

	2018 £M	2017 £M	Increase/ (decrease)
<b>Revenue</b>			
Underlying at constant currency	23,239	21,839	6.4%
Underlying at reported rates	23,239	22,852	1.7%
Statutory	22,964	22,568	1.8%
Organic growth	5.5%	4.0%	
<b>Total operating profit</b>			
Underlying at constant currency	1,741	1,626	7.1%
Underlying at reported rates	1,741	1,705	2.1%
Statutory	1,690	1,665	1.5%
<b>Operating margin</b>			
Underlying at reported rates	7.4%	7.4%	–
<b>Profit before tax</b>			
Underlying at constant currency	1,627	1,517	7.3%
Underlying at reported rates	1,627	1,591	2.3%
Statutory	1,520	1,560	(2.6)%
<b>Basic earnings per share</b>			
Underlying at constant currency	77.6p	69.0p	12.5%
Underlying at reported rates	77.6p	72.3p	7.3%
Statutory	71.0p	71.3p	(0.4)%
<b>Free cash flow</b>			
Underlying at reported rates	1,141	974	17.1%
<b>Full year dividend per ordinary share</b>	37.7p	33.5p	12.5%

## SEGMENTAL PERFORMANCE

	Underlying revenue <sup>1</sup>		Underlying revenue growth		
	2018 £M	2017 <sup>2</sup> £M	Reported rates	Constant currency	Organic
North America	13,785	13,322	3.5%	9.1%	7.8%
Europe	5,783	5,598	3.3%	2.7%	2.1%
Rest of World	3,671	3,932	(6.6)%	2.6%	2.9%
Total	23,239	22,852	1.7%	6.4%	5.5%

	Underlying operating profit <sup>1</sup>		Underlying operating margin <sup>1</sup>	
	2018 £M	2017 <sup>2</sup> £M	2018 %	2017 <sup>2</sup> %
North America	1,120	1,082	8.1%	8.1%
Europe	395	411	6.8%	7.3%
Rest of World	276	265	7.5%	6.7%
Unallocated overheads	(70)	(70)		
Total before associates	1,721	1,688	7.4%	7.4%
Associates	20	17		
Total	1,741	1,705		

1. Definitions of underlying measures of performance can be found in the glossary on pages 202 and 203.
2. Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.

## STATUTORY AND UNDERLYING RESULTS

	2018			2017		
	Statutory £M	Adjustments £M	Underlying £M	Statutory £M	Adjustments £M	Underlying £M
Revenue	22,964	275	23,239	22,568	284	22,852
Operating profit	1,690	51	1,741	1,665	40	1,705
Net loss on sale and closure of businesses	(58)	58	–	–	–	–
Net finance costs	(112)	(2)	(114)	(105)	(9)	(114)
Profit before tax	1,520	107	1,627	1,560	31	1,591
Tax	(387)	(3)	(390)	(389)	(15)	(404)
Profit after tax	1,133	104	1,237	1,171	16	1,187
Non-controlling interest	(8)	–	(8)	(10)	–	(10)
Attributable profit	1,125	104	1,229	1,161	16	1,177
Average number of shares (millions)	1,584	–	1,584	1,628	–	1,628
Basic earnings per share (pence)	71.0p	6.6p	77.6p	71.3p	1.0p	72.3p
EBITDA			2,241			2,188
Gross capex			813			717
Free cash flow			1,141			974

Further details of the adjustments can be found in the consolidated income statement, note 1 segmental reporting and note 32 statutory and underlying results.

## STATUTORY RESULTS

On a statutory basis, revenue was £22,964 million (2017: £22,568 million), an increase of 1.8%, which reflects 5.5% organic revenue growth offset by an impact of 3.7%, mainly due to adverse currency movements.

Operating profit was £1,690 million (2017: £1,665 million), an increase of 1.5% over the prior year, which reflects a 6.4% increase organically, offset by an impact of 4.9%, mainly due to adverse currency movements.

As part of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses. As a result, the Group has recognised a net £58 million loss on sale and closure of businesses. This balance includes a £19 million write-down of net assets for businesses that are held for sale where the carrying amount was higher than net realisable value. The remaining £39 million consists of a net gain on disposal offset by asset write-downs and exit costs relating to committed or completed business exits.

Net finance costs were £112 million (2017: £105 million).

Profit before tax was £1,520 million (2017: £1,560 million) giving rise to an income tax expense of £387 million (2017: £389 million), equivalent to an effective tax rate of 25.5% (2017: 24.9%).

Basic earnings per share were 71.0 pence (2017: 71.3 pence), a decrease of 0.4% as the impact of foreign exchange offset higher profits.

## UNDERLYING RESULTS

Throughout this Annual Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. Underlying measures are defined in the glossary of terms on pages 202 and 203.

A summary of adjustments from statutory results to underlying results is shown in note 32 on page 166 and further detailed in the consolidated income statement (page 108), reconciliation of free cash flow from operations (page 113), note 1 segmental reporting (pages 122 to 125) and note 33 organic revenue and organic profit (page 167).

## UNDERLYING REVENUE

On an organic basis, revenue increased by 5.5%. New business wins were 9.1% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was 94.9% as a result of our ongoing focus and investment, and like for like revenue grew by 1.5% reflecting sensible price increases partially offset by weak volumes in our commodity related business and in the UK.

## UNDERLYING OPERATING PROFIT

Underlying operating profit was £1,741 million (2017: £1,705 million), an increase of 2.1%. If we restate 2017's profit at the 2018 average exchange rates, it would have decreased by £79 million to £1,626 million. On a constant currency basis, underlying operating profit has therefore increased by £115 million, or 7.1%.

## UNDERLYING OPERATING MARGIN

We continue to drive efficiencies across the business through our MAP framework. Operating profit margin increased modestly as we continued to work hard to drive efficiencies across the business. Cost efficiencies combined with price increases enable us to offset cost pressures and continue to reinvest in the business to support the exciting growth opportunities we see around the world.

## UNDERLYING FINANCE COSTS

The underlying net finance cost was £114 million (2017: £114 million). For 2019, we expect an underlying net finance cost of around £120 million.

## UNDERLYING TAX CHARGE

On an underlying basis, the tax charge was £390 million (2017: £404 million), equivalent to an effective tax rate of 24.0% (2017: 25.4%). The change primarily reflects the reduction in the US federal tax rate introduced by the enactment of the Tax Cuts and Jobs Act and the continuing impact of the implementation of OECD BEPS measures in certain countries in which we operate. The tax environment continues to be very uncertain, with more aggressive tax authority positions and investigations globally. However, our current expectations are that the 2019 effective tax rate will remain consistent with the 2018 rate.

## UNDERLYING BASIC EARNINGS PER SHARE

The underlying basic earnings per share was 77.6 pence (2017: 69.0 pence), an increase of 12.5% on a constant currency basis.

## DIVIDENDS

Our dividend policy is to grow the dividend in line with growth in underlying constant currency earnings per share.

In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Parent Company
- future cash commitments and investment needs to sustain the long term growth prospects of the business
- potential strategic opportunities
- the level of dividend cover

Further surpluses, after considering the matters set out above, are distributed to shareholders over time by way of special dividend payments, share repurchases or a combination of both.



Compass Group PLC, the Parent Company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the Parent Company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for dividend payments. The distributable reserves of the Parent Company include the balance on the profit and loss account reserve, which at 30 September 2018 amounted to £1,436 million.

The Group is currently in a strong position to continue to fund its dividend which continues to be well covered by cash generated by the business. Details on the Group's going concern assessment can be found on page 34.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 35 to 37 that could adversely impact the performance of the Group although we believe we have the ability to mitigate those risks as outlined on pages 36 to 37.

It is proposed that a final dividend of 25.4 pence per share be paid on 25 February 2019 to shareholders on the register on 18 January 2019. This will result in a total dividend for the year of 37.7 pence per share (2017: 33.5 pence per share), a year on year increase of 12.5%. The dividend is covered 2.1 times on an underlying earnings basis and 2.1 times on a cash basis. The final dividend of 25.4 pence will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 4 February 2019.

## PURCHASE OF OWN SHARES

The Group did not buy back any shares during the period (2017: £19 million). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 8 February 2018.

## SHAREHOLDER RETURN

The market price of the Group's ordinary shares at the close of the financial year was 1,706.00 pence per share (2017: 1,583.00 pence per share).

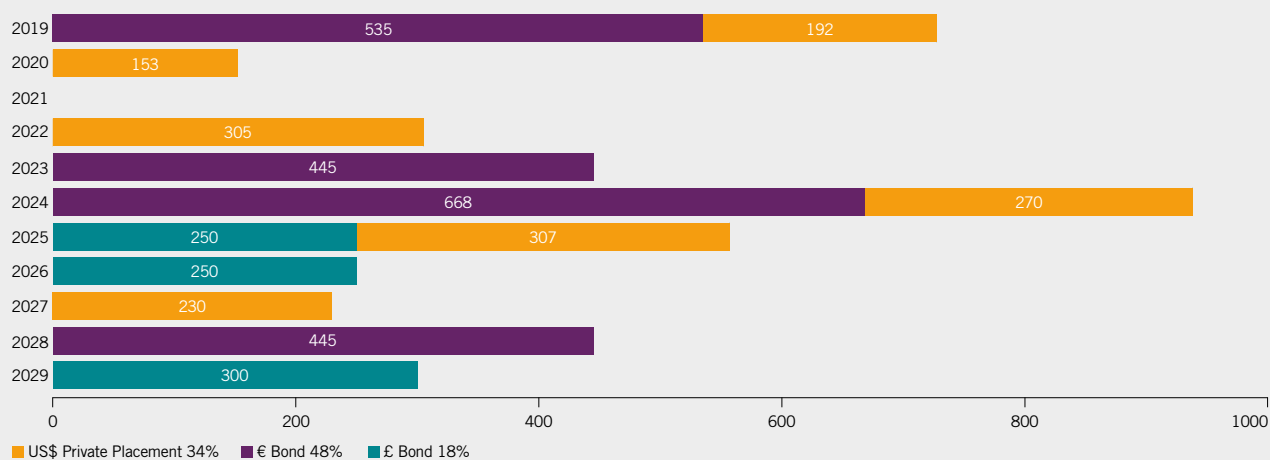
## FREE CASH FLOW

Free cash flow totalled £1,141 million (2017: £974 million). Free cash flow conversion was 66% (2017: 57%).

Gross capital expenditure of £813 million (2017: £717 million), including assets purchased under finance leases of £2 million (2017: £2 million), is equivalent to 3.5% of underlying revenues (2017: 3.1% of underlying revenues). We continue to deliver strong returns on our capital expenditure across all regions. In 2019 we expect capital expenditure to be around 3.5% of revenue.

The working capital inflow, excluding provisions and pensions, was £148 million (2017: £62 million outflow). This inflow was better than expected due to strong working capital management, especially in North America. This includes a positive inflow of around £70 million due to the timing of our payroll run in September. This payroll inflow is a reversal of the outflow which occurred in 2016.

## FINANCING – MATURITY PROFILE OF PRINCIPAL BORROWINGS AS AT 30 SEPTEMBER 2018 (£M)



1. Based on nominal value of borrowings in place as at 30 September 2018, converted at foreign exchange rates on the balance sheet date and maturing in the financial year ending 30 September.
2. The average life of the Group's principal borrowings is 5.4 years (2017: 5.6 years).

The cash outflow in respect of post employment benefit obligations was £8 million (2017: £14 million). In 2019 we expect a total outflow for the Group of around £20 million.

The net interest outflow was £95 million (2017: £97 million).

The underlying cash tax rate was in line with expectations at 20% (2017: 21%).

## ACQUISITION PAYMENTS

The total cash spent on acquisitions in the year, net of cash acquired, was £420 million (2017: £96 million), comprising £406 million of bolt-on acquisitions, £19 million of contingent consideration relating to prior years' acquisitions offset by £5 million of cash acquired net of acquisition transaction costs.

The Group made several bolt-on acquisitions during the year, including the purchase of 80% of the share capital of Unidine for an initial consideration of £234 million (\$305 million). Unidine is a Massachusetts based company that operates as a caterer in the healthcare and seniors market.

## DISPOSALS

As part of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses. As at the balance sheet date, the Group has classified certain businesses as held for sale as these disposals are highly probable and expected to be completed within 12 months.

The Group received £39 million (2017: £19 million) in respect of the disposal of some small, non core businesses.

## POST EMPLOYMENT BENEFIT OBLIGATIONS

The Group has continued to review and monitor its pension obligations throughout the period working closely with the trustees and members of all schemes around the Group to ensure proper and prudent assumptions are used and adequate provision and contributions are made.

The Compass Group Pension Plan (UK) surplus of £346 million (2017: £259 million) and the £224 million (2017: £231 million) deficit in the rest of the Group's defined benefit pension schemes reflect the actuarial gains and losses that have occurred since the prior year IAS 19 actuarial valuation and the disposal of one of our pension schemes in the US.

A judgement on the recent Lloyds Banking Group High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. Initial estimates indicate that this obligation could be between 1% to 2% of the gross liabilities of the Group's UK defined benefit pension plan (£20 million – £40 million). The effects of the ruling will be recognised in the next financial year when the obligation to amend the plan's benefits has arisen.

The total pensions charge for defined benefit contribution schemes in the year was £110 million (2017: £123 million) and £24 million (2017: £20 million) for defined benefit schemes.

## RETURN ON CAPITAL EMPLOYED

Return on capital employed was 20.3% (2017: 20.3%) based on net operating profit after tax at the underlying effective tax rate of 24.0% (2017: 25.4%). The average capital employed was £6,499 million (2017: £6,218 million).

On a constant currency basis, the increase in return on capital employed was 10 basis points.

## RELATED PARTY TRANSACTIONS

Details of transactions with related parties are set out in note 29 of the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

## FINANCIAL POSITION

The ratio of net debt to market capitalisation of £27,121 million as at 30 September 2018 was 12.5% (2017: 13.8%).

Net debt decreased to £3,383 million (2017: £3,446 million). The ratio of net debt to EBITDA was 1.5x, in line with the target ratio. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

The Group generated £1,141 million of free cash flow (2017: £974 million), including investing £757 million in net capital expenditure, and spent £413 million on acquisitions net of disposal proceeds and investments in associated undertakings. £353 million was paid in respect of the final dividend for the financial year 2017 and £195 million was paid for the interim 2018 dividend.

The remaining £117 million movement in net debt related predominantly to foreign currency translation and other non-cash movements.

## LIQUIDITY RISK

The Group finances its borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. During the year the Group issued £250 million 2025 Eurobonds and €500 million 2028 Eurobonds to refinance debt maturing in October 2018 and February 2019.

The maturity profile of the Group's principal borrowings at 30 September 2018 shows that the average period to maturity is 5.4 years (2017: 5.6 years).

The Group's undrawn committed bank facilities at 30 September 2018 were £1,690 million (2017: £1,387 million).

## FINANCIAL MANAGEMENT

The Group manages its interest rate and foreign currency exposure in accordance with the policies set out below.

The Group's financial instruments comprise cash, borrowings, receivables and payables that are used to finance the Group's operations. The Group also uses derivatives, principally interest rate swaps, forward currency contracts and cross currency swaps, to manage interest rate and currency risks arising from the Group's operations. The Group does not trade in financial instruments. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks. The Board approves any changes to the policies.

### FOREIGN CURRENCY RISK

The Group's policy is to match its principal projected cash flows by currency to actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary, to implement this policy, forward currency contracts and cross currency swaps are taken out which, when applied to the actual currency borrowings, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into sterling. Where the borrowings either are less than, or equate to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the income statement.

Non-sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given, and will continue to give rise to translation differences. The Group is only partially protected from the impact of such differences through the matching of cash flows to currency borrowings.

### INTEREST RATE RISK

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.

## GROUP TAX POLICY

As a Group, we are committed to creating long term shareholder value through the responsible, sustainable and efficient delivery of our key business objectives. This will enable us to grow the business and make significant investments into the Group and its operations.

We therefore adopt an approach to tax that supports this strategy and also balances the various interests of our stakeholders including shareholders, governments, employees and the communities in which we operate. Our aim is to pursue a principled and sustainable tax strategy that has strong commercial merit and is aligned with our business strategy. We believe this will enhance shareholder value whilst protecting Compass' reputation.

In doing so, we act in compliance with the relevant local and international laws and disclosure requirements, and we conduct an open and transparent relationship with the relevant tax authorities that fully complies with the Group's Code of Business Conduct and Code of Ethics.

In an increasingly complex international corporate tax environment, a degree of tax risk and uncertainty is, however, inevitable. Tax risk can arise from unclear regulations and differences in interpretation, but most significantly where governments apply diverging standards in assessing intragroup cross border transactions. This is the situation for many multinational organisations. We manage and control these risks in a proactive manner and in doing so, exercise our judgement and seek appropriate advice from relevant professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.

## RISKS AND UNCERTAINTIES

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Group, its shareholders, employees, clients, consumers and all other stakeholders.

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 35 to 37.

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities.

The Group has considerable financial resources together with longer term contracts with a number of clients and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the Annual Report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 35 to 37 of the Annual Report. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 September 2021.

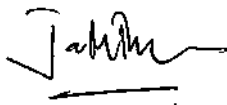
The directors have determined that a three year period to 30 September 2021 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Group Board in our strategic planning process and is also aligned to our typical contract length (three to five years). We believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board considers annually and on a rolling basis a three year, bottom up strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and working capital variances and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

While the review has considered all the principal risks identified by the Group, the following were focused on for enhanced stress testing: health and safety, economic and political environment, and clients and consumers. The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. Furthermore, our business model is structured so that the Group is not reliant on one particular group of clients or sector. Our largest client constitutes only 1.9% of Group revenue and our top 10 clients account for less than 8% of Group revenue. Also, our ability to flex our cost base protects our viability in the face of adverse economic conditions and/or political uncertainty.

While this review does not consider all of the risks that the Group may face, the directors consider that this stress testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

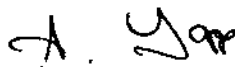


**Johnny Thomson**  
Group Finance Director

20 November 2018

The Strategic Report, as set out on pages 1 to 43, has been approved by the Board.

On behalf of the Board



**Alison Yapp**  
Group General Counsel and Company Secretary

20 November 2018

# Identifying and managing risk

The Board continues to take a proactive approach to recognising, assessing and mitigating risk with the aim of protecting its employees and consumers and safeguarding the interests of the Company and its shareholders in the constantly changing environment in which it operates.

As set out in the Corporate Governance section in the Annual Report, the Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business.

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

The tables on pages 36 and 37 set out the principal risks and uncertainties facing the business at the date of this Report. These have been subject to robust assessment and review. They do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this Report, may also have an adverse effect on the Group. As a global business operating in countries and regions with diverse economic and political conditions, the Group's operations and earnings may be adversely affected by political or economic instability, including instability caused by the implementation of the UK's decision to exit the European Union (Brexit) and political reform in the USA.

Following Brexit there is significant uncertainty about the process of withdrawal from the European Union, the timeframe, the outcome of negotiations about future arrangements between the UK and the European Union, and the period for which existing European Union laws for member states continue to apply to the UK. The Board views the potential impact of Brexit as an integral part of its principal risks rather than as a stand-alone risk. We have identified a potential impact on our food supply chain and labour force, and we are taking actions to assess and mitigate against any impact. It is not yet clear what the full impact will be whilst negotiations continue to take place. As the process of Brexit evolves, the Board will continue to assess the impact of any resulting changes and the extent to which they affect the Group.

The Group has significant operations and a substantial employee base in the USA, where the current administration has initiated broad policy changes including federal taxes and proposed tariffs on international trade. The Tax Cuts and Jobs Act introduced substantial and wide-ranging changes but further clarification and regulation may have an effect on future tax charges. The Board is monitoring developments and will continue to assess the impact of any changes.

In accordance with the provisions of the UK Corporate Governance Code 2016, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern and viability statements can be found on page 34 of the Strategic Report.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Additionally, there are risks (such as those relating to the eurozone economy, pensions, and acquisitions and investments) which vary in importance depending on changing conditions. All risks disclosed in previous years can be found in the annual reports available on our website at [www.compass-group.com](http://www.compass-group.com). We recognise that these risks remain important to the business and they are kept under review. However, we have focused the disclosures on pages 36 and 37 on those risks that are currently considered to be more significant to the Group.

## PRINCIPAL RISKS

RISK	CHANGE		DESCRIPTION
	2017	2018	
<b>HEALTH AND SAFETY</b>			
HEALTH AND SAFETY	→	→	The health and safety of our consumers and our people is at the heart of what we do. We are focused on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation. Compass feeds millions of consumers and employs thousands of people around the world every day. Therefore, setting the highest standards for food hygiene and safety is paramount.
<b>CLIENTS AND CONSUMERS</b>			
SALES AND RETENTION	→	→	Our business relies on securing and retaining a diverse range of clients.
BIDDING	→	→	Each year, the Group could bid for a large number of opportunities.
SERVICE DELIVERY AND CONTRACTUAL COMPLIANCE	→	→	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to loss of business and/or claims.
COMPETITION	→	→	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.
<b>PEOPLE</b>			
RECRUITMENT	→	↑	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business. The increase is due to economic and political conditions where a combination of high employment and a shortage in the resource pool has made the labour market more competitive.
RETENTION AND MOTIVATION	→	→	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group.
<b>ECONOMIC AND POLITICAL ENVIRONMENT</b>			
ECONOMY	↑	↑	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions, e.g. trade sanctions, have increased the risk to the business in some jurisdictions.
COST INFLATION	↑	↑	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or food, especially in countries such as Brazil, could constitute a risk to our ability to do this. Increases in inflation have intensified cost pressures in some locations.
POLITICAL STABILITY	↑	→	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability caused, for example, by the UK's decision to leave the EU. This may put pressure on our food supply chain and UK labour force.
<b>COMPLIANCE AND FRAUD</b>			
COMPLIANCE AND FRAUD	↑	→	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance if significant financial penalties are levied or a criminal action is brought against the Company or its directors.
INTERNATIONAL TAX	→	↑	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. However, the increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes has increased. We note in particular the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.
<b>INFORMATION SYSTEMS AND TECHNOLOGY</b>			
INFORMATION SYSTEMS AND TECHNOLOGY	↑	↑	The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation, through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications or underlying equipment or communication networks, could delay day-to-day decision making, management reporting and efficient product delivery. Increased use of technology has increased the potential exposure to cyber crime.

■ PURPOSE
 ■ PERFORMANCE
 ■ PEOPLE

INCREASED RISK ↑
 STATIC RISK →

## EXAMPLES OF MITIGATION

All management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items.

Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams.

The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards.

The safety and quality of our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.

We have strategies which strengthen our long term relationships with our clients and consumers based on quality, value and innovation.

A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards, prior to approval at an appropriate level in the organisation.

Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.

We aim to minimise this by continuing to promote our differentiated propositions and by focusing our strengths, such as flexibility in our cost base, quality, value of service and innovation.

Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.

The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology and through offering training and development programmes.

The Group has established training, development, performance management and reward programmes to help retain, develop and motivate our best people.

The Group has a number of well established initiatives which help us to monitor the level of engagement and to respond to our people's needs.

With the variable and flexible nature of our cost base, it is generally possible to contain the impact of these adverse conditions.

As part of our MAP framework, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and with the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.

The Group remains vigilant to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy.

We are working with our suppliers to assess the impact of Brexit on our supply chain. We are also working on our recruitment and retention strategies to mitigate any impact on our labour supply.

The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated.

The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.

Regulation and compliance risk is also considered as part of our annual business planning process.

We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.

We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts.

The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees.

We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.



# Purpose

**Our social purpose is one of our three strategic priorities. Every business has a social impact and leading with purpose is the way to fulfil the potential of our organisation and our people**

**5.5Bn  
meals**

We defined our social purpose around safety as care for each other and a renewed, global commitment to sustainability, because the impact of our 600,000 colleagues and 5.5 billion meals served every year is a unique opportunity to build a better world.



# Our approach to corporate responsibility and sustainability

The Group's corporate responsibility and sustainability strategies are well aligned as we improve our business model to reflect more sustainable practices.

Acting responsibly is fundamental to Compass' business ethos. We strive to be a responsible corporate citizen, creating value for our diverse community of stakeholders whilst operating sustainably to reduce the impact we have on the environment.

Our Corporate Responsibility (CR) strategy provides a framework within which we operate, ensuring that we have a robust approach to governance, while providing us with a level of flexibility that does not inhibit the entrepreneurial spirit that has contributed to Compass' success. Sustainability has now been captured in our new strategic framework highlighting our priorities as a leader within our industry. The safety of our consumers and our colleagues remains at the heart of what we do. It supports our growth strategy through increasing the overall wellbeing and engagement of our people; taking targeted action where we can make a greater environmental difference; driving positive outcomes beyond our business to make the world a better place.

## OUR CR STRATEGY

We regularly review our approach to CR to keep pace with change and maintain our position as a responsible business partner. We consider the issues that matter most to our business and stakeholders to help us inform our business strategy. We continually listen to our people, clients, consumers, suppliers, partners, shareholders as well as a broader number of not for profit organisations with expertise in different segments of the food supply chain.

An overview of our performance during 2017-2018 against a number of performance measures can be found on page 42.

We continue to proactively support the UN Sustainable Development Goals (SDGs), and you can find information about our activities in 2017-2018 on page 43.

Our Corporate Governance report can be found on pages 44 to 100.



Visit our website at [www.compass-group.com](http://www.compass-group.com) for more information about our approach to CR and sustainability

Our Corporate Responsibility report will be available online in early 2019

# Our social purpose: a commitment to safety and sustainability

At Compass, we believe that every business has a social impact and that leading with purpose is the way to fulfil the potential of our organisation and its people.

Our social purpose is to be a responsible corporate citizen with an all-encompassing safety culture with our people at its heart. This is supported by a sustainability strategy comprising three strategic priorities which in turn are supported by three action platforms as set out below.

Our new approach provides our business and partners with best practice guidance but also allows for initiatives to be adapted to ensure local relevance and impact. Over the course of the coming year, we will identify more good practices across each platform and embed them to full effect to create efficiencies and benefits. In due course, we will select relevant KPIs to track and report on our progress annually.

## SUSTAINABILITY PRIORITIES

### Health & wellbeing

Nutrition, health and happiness at the heart of our value proposition

Better nutrition choices

Mental health

Healthy lifestyle

### Environmental game changers

Targeted action where we can make a disproportionate impact

Food waste

Single-use plastics

Plant-forward meals

### Better for the world

Driving positive impact far beyond our business

Sourcing responsibly

Enriching local communities

Collaborating for big change

### Safety culture (caring for people)

Turning safety from compliance to a value

Safety leadership

Sharing learning

Simplification

## SAFETY CULTURE

We are proud of the overall improvement we have made in our operational safety performance in the last few years, and since 2014, we have delivered a 39% improvement in our Global Lost Time Incident Frequency Rate, and a 33% improvement in our Global Food Safety Incident Rate. This progress has given us the confidence to move to the next stage in the development of our corporate safety culture. We believe that we are now well positioned for a step change which will strengthen our existing safety culture through empowerment of our most important resource – our people.

As a business, our focus on people has never been greater. They are our competitive advantage and their safety is important to us. We want to turn safety from compliance into a value and that is why we are evolving our strategy with the aim of creating a ‘zero harm’ culture where caring for each other becomes second nature. We are committed to providing our people with the necessary support and tools to achieve this.

As a path to success, we propose to further embed visible safety leadership at all of our management levels and to encourage a more agile and effective sharing of learning and good practices. This will

be accompanied by a simplification of our standards, processes and reporting systems to make the next step on our journey to ‘zero harm’ an easier one for our businesses to take. We look forward to sharing our progress with you.

We reported last year on our initiatives to tackle road safety. In 2018, we reinforced our Global Safe Driving policy, performance standards and metrics across our business. By introducing specific reporting metrics against which all countries must report on a monthly basis, we have achieved a higher level of visibility in relation to the actual and potential risk for both vehicle and driver safety. Working with country teams, we have developed initiatives focused on reducing the different risks. For example, in Kazakhstan our employees have driven 90 million kilometres and worked 50 million hours without incident. In the UAE, we introduced safe driving training and police briefings, followed by a safe driving recognition scheme that rewards our drivers of passenger vehicles between client sites for safe driving behaviour. Although we are making good progress overall in vehicle and driver safety, we are not complacent and remain focused on raising road safety awareness.

## SUSTAINABILITY PRIORITIES

As a leader in the global food service industry, sourcing food for 5.5 billion meals every year, we recognise the impact that food production has on the planet. As the demand for food rises to feed the growing global population, this impact is likely to increase.

We all have the ability to make a difference for a better world. As a global business with a wide sphere of influence, Compass is using its leverage and working alongside industry peers to help manage supply chain pressures, reduce the impact the industry has on the planet's resources, and to continue to make a positive contribution to public health.

Thanks to the launch of our renewed Group Sustainability strategy, we have gained new momentum in our CR journey and, going forward, we will prioritise the three broad areas: health & wellbeing; environmental game changers and better for the world.

### HEALTH & WELLBEING

Food not only fuels your body, but can also influence the way you feel and have an impact on your physical and mental wellbeing. At Compass, we put wellbeing at the core of our value proposition to our clients and consumers. Every day, we seek to improve nutritional choices and actively encourage healthy eating with the objective of improving the overall health, happiness and productivity of our clients and consumers. Our focus on health and wellbeing determines not only how we construct our offer, but also the nature of client relationships, pricing models and partnerships across our supply chain. We believe this approach will contribute to our progress towards the United Nations' Sustainable Development Goal (SDG) 'good health and wellbeing'. Details of our SDGs can be found on page 43.

### ENVIRONMENTAL GAME CHANGERS

We are expanding our food waste reduction programme and looking at ways of reducing the use of single-use plastics, and developing plant-forward meals as a method of reducing reliance on animal proteins. We believe that over time, these initiatives will make a positive contribution to the global reduction of CO<sub>2</sub> emissions related to food production and contribute to the realisation of our SDGs.

### BETTER FOR THE WORLD

As an industry leader, we understand the influence we can have on how food is produced and sourced. We aim to make a positive contribution to the food system, the people who work in it and society as a whole. We will seek to achieve this through responsible sourcing, the development of programmes aimed at enriching local communities through food, and the design of new partnerships with other global players, including not for profit organisations.

Throughout the year, we continued to deliver against our existing sustainability commitments and, in line with our commitment to responsible sourcing, Compass' Supply Chain Integrity Policy Statement was revised in July 2018. This policy is supported by our global Supply Chain Integrity Standards which clearly set out our requirements in relation to sustainable purchasing and supply, and encompass our expectations in respect of responsible sourcing. Sourcing responsibly is important to us and we continue to demand robust operating standards from our suppliers and our businesses.

During the year, we continued to use our influence to advance farm animal welfare within our global supply chain and our efforts have been recognised in the 2017 Business Benchmark on Farm Animal Welfare (BBFAW), where we moved up from Tier 4 to Tier 3. We believe that this score is fair and reflects our year on year improvement but acknowledges that there is still work to be done. The BBFAW provides us with a practical and credible framework for the future, against which we can assess our progress and identify areas for improvement, driving positive outcomes that directly benefit the lives of farm animals.

Compass is a founding member of the Global Coalition for Animal Welfare (GCAW), an industry-led initiative that was launched in October 2018. This exciting new platform unites major food businesses for the first time in driving improvements in farm animal welfare globally.

GCAW members have together identified five priority work streams: cage-free policies, improved broiler chicken welfare, farmed fish welfare, antimicrobial resistance, and global standards for transportation and slaughter. Working with a group of multi-disciplinary experts from academia, industry and civil society, GCAW aims to publish an agenda for change in 2019.

In July 2018, we partnered with Compassion in World Farming (CiWF) to launch the first two modules of a training programme in farm animal welfare to our UK sourcing team. We aim to progressively roll out this training across the rest of our global sourcing teams by the end of 2019.

With the continued support of CiWF, Humane Society International and The Humane League, we are focusing on delivering further improvements in our performance in next year's BBFAW benchmark. We remain committed to ensuring that livestock within our supply chain are raised humanely, sustainably and responsibly.

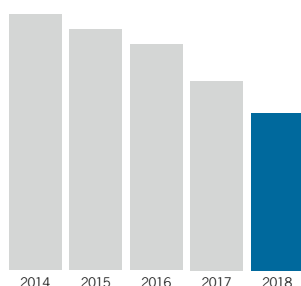


# Making a positive impact

## GLOBAL LOST TIME INCIDENT FREQUENCY RATE

**-39%**

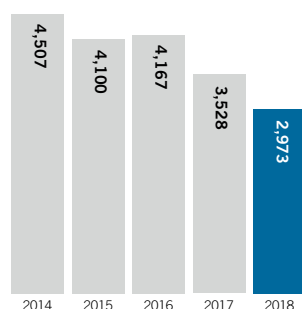
(since 2014)



## GLOBAL LOST TIME INCIDENTS

**-34%**

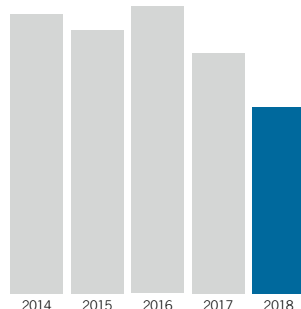
(since 2014)



## GLOBAL FOOD SAFETY INCIDENT RATE

**-33%**

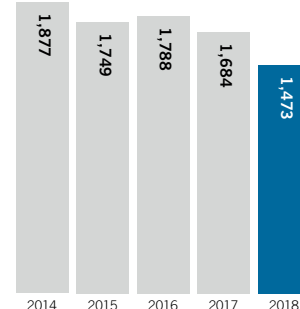
(since 2014)



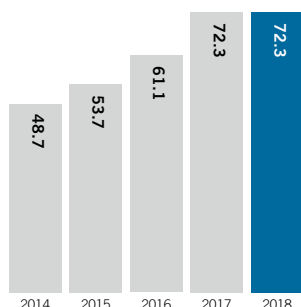
## GLOBAL FOOD SAFETY INCIDENTS

**-22%**

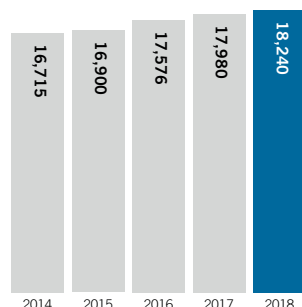
(since 2014)



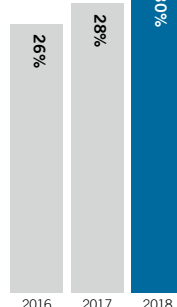
## CARBON DISCLOSURE PROJECT (LEADERSHIP A-)



## NUMBER OF SITES OFFERING HEALTHY EATING PROGRAMMES



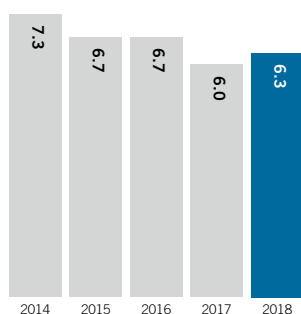
## WOMEN IN GLOBAL LEADERSHIP TEAM



## GREENHOUSE GAS INTENSITY RATIO

**-14%**

(since 2014)



Compass Group's disclosure in accordance with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 is stated in the table below and is incorporated in the Directors' Report by reference on page 98:

GLOBAL GHG EMISSIONS FOR THE PERIOD 1 OCTOBER 2017 TO 30 SEPTEMBER 2018	UNIT	2017-2018 CURRENT REPORTING YEAR	2016-2017 COMPARISON YEAR
Combustion of fuel & operation of facilities (Scope 1)	Tonnes (t) CO <sub>2</sub> e	<b>129,516</b>	128,154
Electricity, heat, steam and cooling purchased for own use (Scope 2 – location based)	tCO <sub>2</sub> e	<b>8,095</b>	8,376
Total Scope 1+2	tCO <sub>2</sub> e	<b>137,611</b>	136,530
Emissions intensity per £M revenue	tCO <sub>2</sub> e/£M	<b>6.3</b>	6.0

We have calculated our Scope 1 and 2 GHG emissions since 2008 and aim to improve the scope and accuracy of our reporting each year. We have established an organisational boundary, reporting on emissions originating from our top 20 countries, accounting for 94% of Group activity by revenue. Our GHG emissions calculations are based on the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and exclude laundries, CPUs and warehouses. Applying an operational control approach, we have identified relevant activity data for Scope 1 and 2 emissions and have used the location based Scope 2 calculation method.



## UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

	OUR COMMITMENTS	EXAMPLE
 <p><b>2 ZERO HUNGER</b></p> <p><b>END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE</b></p>	<p>Every year, we spend around £6 billion on food. Where we have surplus food, we can play a role in helping the wider community to tackle food insecurity.</p>	<p>In a number of markets, we have arranged for surplus food to be shared via food banks or community-based projects that provide meals to people in need. Our UK business donated 10 tonnes of food to the charity FareShare this year.</p>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b></p> <p><b>ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES</b></p>	<p>Each year, we serve over five and a half billion meals. By pursuing our passion for wellbeing and nutrition, we are committed to helping our consumers and colleagues adopt a more balanced lifestyle.</p>	<p>In addition to our aim of serving a healthy option at every meal in all our sites, we explore ways to encourage consumers to eat a balanced diet through new product development and engaging communications. In Turkey, we created a series of fun characters based on different fruit and vegetables to encourage children to eat more healthily.</p>
 <p><b>5 GENDER EQUALITY</b></p> <p><b>ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS</b></p>	<p>Women make up 57% of our global workforce and 30% of our global leadership team. We are resolved to empower all our female colleagues as we know this leads to increases in productivity, organisational effectiveness and consumer satisfaction.</p>	<p>Developing talent from within is a key part of the Compass approach and ensuring equal access to all to development programmes is key. Our business in Japan developed a fast track programme for future leaders and 37% of the candidates in the first year were women; within 12 months, they had all taken on their first leadership role.</p>
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p><b>PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL</b></p>	<p>Our people are fundamental to our great service and reputation. Around the world we are working with local communities to offer fair employment and great career opportunities.</p>	<p>As well as providing stable, fairly-paid employment, we offer on-the-job training and a variety of development opportunities in every market where we operate. Our business in India recently launched a graduate trainee programme which aims to bring new talent into the business and prepare them to take on leadership positions.</p>
 <p><b>14 LIFE BELOW WATER</b></p> <p><b>CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT</b></p>	<p>Three words encapsulate our approach to sustainable seafood: (i) Avoid: by not serving seafood on the Marine Stewardship Council's (MSC) 'fish to avoid' list; (ii) Improve: by buying more certified sustainable seafood each year; (iii) Promote: the availability of responsibly sourced fish to our consumers.</p>	<p>For over 16 years our business in the USA has been dedicated to sourcing sustainable seafood and improving the health of the oceans. It purchased 10,000 tonnes of responsibly sourced seafood in the last financial year.</p>
 <p><b>15 LIFE ON LAND</b></p> <p><b>PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS</b></p>	<p>We are working across our global supply chain to ensure we source our food and non-food products in a sustainable manner with the least possible impact on the environment.</p>	<p>We are aware of the negative impact that the production of palm oil and soy can have on the environment and local communities and actively support the Roundtable on Sustainable Palm Oil (RSPO) and the Round Table on Responsible Soy (RTRS).</p>
 <p><b>17 PARTNERSHIPS FOR THE GOALS</b></p> <p><b>STRENGTHEN AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT</b></p>	<p>As a global business, we recognise the critical importance of working in partnership with our clients, suppliers and other stakeholders to improve the positive contribution that we can make to help address some of the biggest issues that we all face in the 21st century.</p>	<p>We are co-founders of the Global Coalition for Animal Welfare, an initiative that unites major companies and animal welfare experts with the aim of improving animal welfare standards at scale and meeting consumer demand for food products from animals reared in systems that promote good animal welfare.</p>

**CHAIRMAN'S LETTER**

# Maintaining high standards of corporate governance



## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Compass Group PLC's annual Corporate Governance Report for the financial year ended 30 September 2018.

Within the Governance Report we aim to provide investors and other stakeholders with an insight into the governance activities of the Board and its committees throughout the year.

## CULTURE AND GOVERNANCE

As a Board, we set the corporate culture which defines who we are, what we stand for and how we do business. Compass' history and culture have been founded on the principle that strong governance makes sound business sense. Our good reputation has been built on our resolve to maintain the highest ethical and professional standards at all times underpinned by a well-defined and effective system of governance.

We strive to create an environment where our corporate values are not just words, but are put into practice, promoting positive and productive behaviour every day. We invest time and resources communicating with our people, designing programmes to educate and encourage the highest standards of conduct. This reflects our vision to be a world class provider of food services, renowned for our great people, great service and great results. These efforts are underpinned by our Codes of Business Conduct and Ethics.

As a Board, we are responsible for setting the 'tone from the top' and for championing a healthy, responsible corporate culture which promotes the long term sustainable success of the Company for the benefit of all of our stakeholders. We remain committed to building on our existing legacy of good governance in support of our corporate performance and social purpose so that we continue to benefit from the confidence and support of our shareholders.

## STAKEHOLDER ENGAGEMENT

Compass has a global and diverse community of stakeholders that includes clients, consumers, employees, suppliers and shareholders as well as the communities in which we operate. We respect the views of all our stakeholders and seek to engage with them and take their feedback into account, incorporating it where we can, to help inform our decision making processes.

In July 2018, the Financial Reporting Council published its new UK Corporate Governance Code 2018 (the New Code) which has been revised to take account of the increasing demands on the UK's corporate governance framework. The New Code seeks, amongst other matters, to improve the way that companies engage with their wider stakeholder community and will apply to Compass for its financial year beginning 1 October 2019. With support from the committees we will continue to evolve our governance framework to ensure that we remain compliant with the UK Corporate Governance Code and meet best practice requirements.

## BOARD COMPOSITION AND CHANGES

On 31 December 2017, Richard Cousins, our long-standing Group Chief Executive (Group CEO) whose retirement had been planned for 31 March 2018, died tragically in a plane crash. We were all deeply shocked and saddened by Richard's passing. It was a great privilege to have known him personally and to work with him over the last few years. As a result of Richard's untimely death, Dominic Blakemore's appointment as Group CEO was advanced from 1 April 2018 to 1 January 2018. Despite taking over in such sad circumstances, the transition was seamless and Dominic has led the organisation resolutely to deliver another excellent set of results.

We look forward to supporting Dominic in building on Compass' success over the coming years.

Following the completion of his nine year term of appointment, Don Robert retired from the Board on 31 May 2018. John Bason, Chairman of the Audit Committee and a non-executive director since June 2011, succeeded Don as the Senior Independent Director (SID) on 1 June 2018. On behalf of the Board, I would like to thank Don for his contribution and for the invaluable support he provided to me and his colleagues during his time as SID.

As announced on 4 July 2018, Johnny Thomson, Group Finance Director, will step down from the Board at the end of December 2018. We are very grateful to Johnny for his significant contribution to Compass over the last nine years and Johnny leaves the Company in sound financial health. On 11 October 2018, we announced the appointment of Karen Witts who will join the Board as Group Chief Financial Officer (Group CFO) on 8 April 2019. Karen has significant financial and operational expertise and a wealth of experience in retail and technology. I look forward to welcoming Karen to the Board as we continue to execute our strategy and create value for shareholders.

In the latter half of the year, Anne-Francoise Nesmes and John Bryant were appointed as non-executive directors with effect from 1 July 2018 and 1 September 2018 respectively. Anne-Francoise has a wealth of experience in finance and accounting gained in international organisations, with a strong focus on strategy, mergers and acquisitions (M&A) and governance. John brings over 30 years' experience with a particular focus on finance, operations, M&A, strategy and portfolio transformation as well as a valuable insight into markets in the USA. Anne-Francoise and John also replenish the listed company experience that was depleted by Don's retirement. We encourage you to join the Board in supporting their election at the Company's Annual General Meeting (AGM) to be held on Thursday 7 February 2019 (2019 AGM).

On 30 September 2018, after more than 11 years' service to the Group, Mark White, our Group General Counsel and Company Secretary, retired. Mark was instrumental in driving our governance agenda during his tenure. Alison Yapp, a solicitor with more than 25 years' international experience in FTSE and NYSE listed companies, joined Compass on 7 August 2018 and took over from Mark on 1 October 2018. On behalf of the Board, I would like to thank Mark for his contribution over the years and to extend a warm welcome to Alison.

My fellow Board members and I are satisfied that the Board continues to have the appropriate balance of skills, experience, independence and knowledge to encourage challenge and debate, and is well placed to meet the needs of the business going forward.

## SUCCESSION PLANNING AND DIVERSITY

Succession planning continues to be an area of focus for the Board and the Nomination Committee. We recognise that the Board sets the tone for diversity across the Group and that it is important that we should have a diverse leadership to support good decision making. The appointment during the year of Anne-Francoise Nesmes as a non-executive director has increased the percentage of women on the Board to 27%, taking us significantly closer to achieving Lord Davies' target of 33% female representation on the Board by 2020. I am pleased to report that following the appointment of Karen Witts in 2019, female representation will increase to 36%.

The Board is supportive of Lord Davies' recommendations and Sir John Parker's initial recommendations on diversity. These will continue to be considered in the succession planning process. We are confident that initiatives taking place across Compass to help identify the leaders of the future will lead to greater diversity within our senior management. In this regard, we have continued to strengthen our approach to talent management and succession planning at senior level, a subject which continues to command the Board's full attention and this is reflected in the appointments that were made to the Executive Board during the course of the year, details of which can be found on page 69.

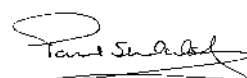
We will continue to assess Board succession planning to ensure that we maintain an appropriate combination of skills, experience and knowledge to deliver our strategy, and to ensure that plans are in place for orderly succession to the Board and senior management positions.

## REMUNERATION POLICY

At the Company's Annual General Meeting held on 8 February 2018 (2018 AGM), shareholders voted on a new Remuneration Policy (the Policy). The Policy is designed to closely align executive reward to the delivery of our business strategy and combines an appropriate mix of fixed and variable elements to support the performance of the executive directors. Our Remuneration Committee Chairman, Carol Arrowsmith, discusses this in more detail in her report on pages 71 to 93.

## THE YEAR AHEAD

We are committed to doing things in the right way and will continue to strengthen our governance processes over the coming year to ensure that we are aligned with best practice and that our approach to disclosure remains understandable and transparent.



**Paul Walsh**  
Chairman

20 November 2018

## INTRODUCTION TO CORPORATE GOVERNANCE

# Committed to the highest standards

### UK CORPORATE GOVERNANCE CODE COMPLIANCE

Responsibility for good governance lies with the Board.

The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code 2016 (the Code).

The Code can be found on the Financial Reporting Council (FRC) website at [www.frc.org.uk](http://www.frc.org.uk).

This Corporate Governance Report, together with the Directors' Remuneration Report set out on pages 71 to 93, describes how the Board has applied the main principles of good governance, as set out in the Code, during the year under review.

### COMPLIANCE STATEMENT

It is the Board's view that for the year ended 30 September 2018 the Company has been fully compliant with all of the principles set out in the Code.

The Company's auditor, KPMG LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for its review by the UK Listing Authority (UKLA) Rules and to report if it does not reflect such compliance. No such report has been made.

The directors present their Annual Report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2018.

This Corporate Governance Report on pages 44 to 93 and the Other Statutory Disclosures on pages 94 to 100, together with the Directors' Responsibilities statement on page 101 and the Strategic Report on pages 1 to 43 which have been incorporated into this Report by reference, make up the Directors' Report.

### HOW WE GOVERN THE COMPANY

The Board leads the Group's governance framework. It is responsible for setting the strategic targets for the Group, monitoring progress made, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively.

The Board is assisted by four principal committees (Audit, Corporate Responsibility, Nomination and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference.

At scheduled Board meetings, the minutes of all committee meetings are circulated and a summary of committee meetings discussed (as appropriate).

All of the non-executive directors are members of all principal committees.

Individual reports from each principal committee Chairman can be found on pages 56 to 93.

The Company also has a number of executive management committees (Disclosure, General Business and the Executive Board). These have been established in order to consider various issues and matters for recommendation to the Board and its principal committees or to deal with day to day matters within the authority granted by the Board.

The Directors' Report also contains information required to be disclosed under the UKLA's Rules and under the Disclosure Guidance and Transparency Rules (DTR). To the extent necessary, certain information is incorporated into this Report by reference.

Our governance structure comprises the functions on page 47, supported by the Group's standards, policies and internal controls, which are described in more detail over the following pages.



### SHAREHOLDERS

We have a geographically diverse shareholder base of 40,815, comprising 4,247 institutional investors and 36,568 private investors (as at 30 September 2018).

### AGM

The Company's Annual General Meeting provides the ideal opportunity for the Board to meet with fellow investors. At the 2019 AGM, shareholders will vote on 22 resolutions dealing with key governance matters, including payment of the final dividend, appointment/reappointment of directors and the reappointment of the auditor.

### INVESTOR RELATIONS

We have an active Investor Relations engagement programme.

During the year, the Company held around 350 meetings with investors through a combination of one to one meetings, group meetings and telephone calls, around 70 of which were personally attended by the Group CEO and Group Finance Director.

### THE BOARD

The Board is responsible for the performance and long term success of the Company, including health and safety, leadership, strategy, values, standards, controls and risk management.

### CHAIRMAN

The Chairman is responsible for the leadership of the Board and for ensuring there is effective debate and challenge.

### GROUP CEO

The Group CEO's role entails being ultimately responsible for day to day operational management decisions and for implementing the Company's long and short term plans. The Group CEO acts as a direct liaison between the Board and management.

### SENIOR INDEPENDENT DIRECTOR

The role of Senior Independent Director is to provide a sounding board for the Chairman and to serve as an intermediary for other directors and shareholders where necessary.

### COMPANY SECRETARY

The Company Secretary is responsible for ensuring good information flow to the Board and its committees and between senior management and the non-executive directors; and for advising the Board through the Chairman on governance matters.

### OPERATIONAL GOVERNANCE

The operational governance of the Company is the responsibility of the Group CEO.

The various operational governance structures in place are maintained and overseen by the Executive Board, which is led by the Group CEO and comprises the executive directors, regional managing directors and other members of senior management.

### BOARD COMMITTEES

#### AUDIT COMMITTEE

Responsible for the Group's financial reporting and effectiveness of the internal and external audit functions

[See page 56](#)

#### CORPORATE RESPONSIBILITY COMMITTEE

Advises the Board on broad CR policy taking into account the overall strategic plan and other factors

[See page 64](#)

#### NOMINATION COMMITTEE

Ensures the Board has the necessary balance of skills, experience and diversity to oversee the delivery of strategy

[See page 68](#)

#### REMUNERATION COMMITTEE

Determines the reward strategy for executive directors and senior managers to ensure reward is aligned to shareholders' interests

[See page 71](#)

#### EXECUTIVE BOARD

Day to day operational management and implementation of strategy

[See page 55](#)

#### DISCLOSURE COMMITTEE

Oversees the disclosure of market sensitive information and other public announcements (as necessary)

[See page 55](#)

#### GENERAL BUSINESS COMMITTEE

Conducts the Company's business within clearly defined limits delegated by the Board

[See page 55](#)

The Board manages the business of the Company and may, subject to the Articles of Association and applicable legislation, borrow money, guarantee, indemnify, mortgage or charge the business, property and assets (present and future), issue debentures and other securities and give security, whether outright or as a collateral security, for any debt, liability or obligation of the Company or of any third party.

The Board sets the Group's values and standards and ensures that it acts ethically and that its obligations to its shareholders are understood and met.

The Board has a formal schedule of matters reserved for its decision as follows:

- strategy and management
- Board membership and other appointments
- financial reporting and controls
- internal controls
- contracts
- capital structure
- communication
- remuneration
- delegation of authority
- corporate governance matters
- other matters

For example, the Board must approve any changes to the Group's capital structure, operating and expenditure budgets, significant capital investment or any new significant client contract.

However, the Board's primary role remains to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole.

The Board has delegated day to day operational decisions to the Executive Board. The Executive Board is supported by country and regional management teams who are responsible for achieving agreed targets, maintaining budgetary controls and implementing policies and controls at country and business unit level.

The work of the Board and its committees is described in the following pages. In this section of the Governance Report, we have also set out our governance structures and processes and how we have applied the main principles and complied with the relevant provisions of the Code. Activities which provide a flavour of the work undertaken by the Board and its committees during the year have been highlighted.

## BOARD OF DIRECTORS

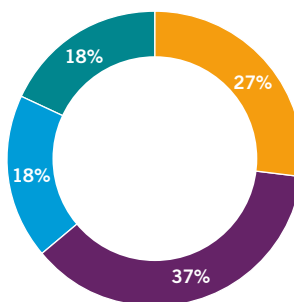
As at 30 September 2018, and as at the date of this Report, the Board of Directors was made up of 11 members, comprising the non-executive Chairman, three executive directors and seven non-executive directors.

The roles of Chairman and Group CEO are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.

All of the non-executive directors are considered by the Board (and by the definition contained in the Code) to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. The Board considers that each of the non-executive directors brings their own senior level of experience, gained in each of their own fields, predominantly in international operations.

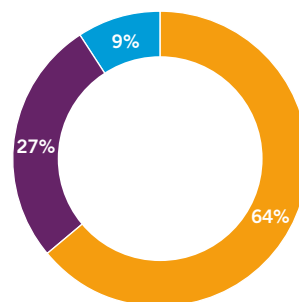
The Company's policy relating to the terms of appointment and the remuneration of both executive and non-executive directors is detailed in the Directors' Remuneration Report, which is on pages 71 to 93.

### BOARD TENURE



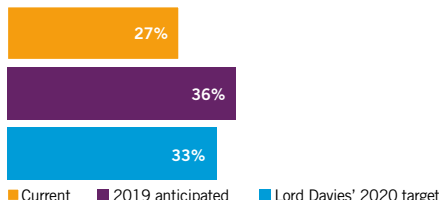
- More than 5 years
- 3-5 years
- 1-3 years
- Less than 1 year

### DIRECTOR BALANCE



- Non-executive
- Executive
- Non-executive Chairman

### LORD DAVIES' 2020 TARGET: % FEMALE



**BOARD OF DIRECTORS**

# Strong, effective and experienced leadership



**PAUL WALSH**

**C N\*** (63)

**CHAIRMAN**

Joined as a non-executive director in January 2014. Appointed Chairman in February 2014.

**KEY SKILLS AND COMPETENCIES**

Paul has significant experience in marketing, buying and retail operations as well as substantial corporate leadership experience.

**CAREER**

Former Chief Executive, Diageo plc, from September 2000 to June 2013 and now an advisor to the Chairman and Chief Executive, having originally joined the Board in 1997. Formerly Chief Executive Officer of the Pillsbury Company, Chairman of Ontex Group N.V. and a director of GrandMet. Former non-executive director of HSBC Holdings plc, Simpsons Malt Limited, Unilever PLC, Centrica plc, United Spirits Limited and nominee director of Pace Holdings Corp. Former Business Ambassador on the UK Government's Business Advisory Group and a former Chairman and Council Member of the Scotch Whisky Association.

**CURRENT EXTERNAL APPOINTMENTS**

Chairman of Avanti Communications Group plc and Chime Communications Limited. Non-executive director of FedEx Corporation and RM2 International S.A. Advisor to TPG Capital LLP (TPG) and affiliates and a nominee director of various companies as required by TPG.



**DOMINIC BLAKEMORE**

**C E G N** (49)

**GROUP CHIEF EXECUTIVE**

Joined the Board in February 2012. Appointed as Group Finance Director in April 2012. Dominic was appointed Group Chief Operating Officer, Europe on 1 December 2015 and stepped down as Group Finance Director on the same day. On 1 October 2017, Dominic was appointed Deputy Group CEO. He assumed the role of CEO on 1 January 2018 and became a member of the Corporate Responsibility and Nomination Committees on the same day.

**KEY SKILLS AND COMPETENCIES**

Dominic has extensive financial management experience in a number of international businesses together with general operational management experience.

**CAREER**

Former non-executive director of Shire plc. Former Chief Financial Officer of Iglo Foods Group Limited, which Dominic joined from Cadbury Plc, where he was European Finance & Strategy Director, having previously held senior finance roles as Corporate Finance Director and Group Financial Controller. Prior to joining Cadbury Plc, Dominic was a director at PricewaterhouseCoopers LLP.

**CURRENT EXTERNAL APPOINTMENTS**

Member of the Academic Council of University College London.



**GARY GREEN**

**E G** (61)

**GROUP CHIEF OPERATING OFFICER, NORTH AMERICA**

Joined the Board in April 2007. Appointed Group Chief Operating Officer, North America in April 2012.

**KEY SKILLS AND COMPETENCIES**

Gary brings strong business and operational leadership as well as business development and wide ranging sales experience.

**CAREER**

Gary is a Chartered Accountant and in 2001 received an honorary doctorate from Johnson & Wales University in the USA. Gary joined the Group in 1986 in a senior finance role in the UK and became a UK director in 1992. He relocated to the USA in 1994 as Chief Finance Officer of the Group's North American business and in 1999 became Chief Executive Officer.

**CURRENT EXTERNAL APPOINTMENTS**

None.



**JOHNNY THOMSON**

**C D E G** (46)

**GROUP FINANCE DIRECTOR**

Joined the Board and appointed Group Finance Director on 1 December 2015.

**KEY SKILLS AND COMPETENCIES**

Johnny brings extensive finance and accounting experience across a range of businesses as well as operational experience within the Group.

**CAREER**

An Associate of the Institute of Chartered Accountants in England and Wales, Johnny joined the Group in April 2009 as Finance Director for the Group's Brazilian business. He was appointed Chief Executive Officer for the Brazilian business in October 2012 and, in February 2014, became the Regional Managing Director, Latin America, comprising Argentina, Brazil, Chile, Colombia and Mexico. Prior to joining the Group, Johnny was Vice President Finance for the UK and Ireland Division of Hilton Hotels and served in a variety of audit and transactional services and international/client secondments at PricewaterhouseCoopers LLP.

**CURRENT EXTERNAL APPOINTMENTS**

None.



### JOHN BASON

A\* C N R (61)

#### SENIOR INDEPENDENT DIRECTOR

Appointed to the Board in June 2011. Appointed SID on 1 June 2018.

#### KEY SKILLS AND COMPETENCIES

John brings significant financial and international experience to the Board, gained from his long career with major global businesses.

#### CAREER

Member of the Institute of Chartered Accountants in England and Wales. John was previously Finance Director of Bunzl plc and a former trustee of Voluntary Service Overseas.

#### CURRENT EXTERNAL APPOINTMENTS

Finance Director of Associated British Foods plc and Chairman of the charity FareShare.



### CAROL ARROWSMITH

A C N R\* (64)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in June 2014.

#### KEY SKILLS AND COMPETENCIES

Carol brings extensive advisory experience, especially of advising boards on executive remuneration across a range of sectors.

#### CAREER

Carol is a former partner and advisor of Deloitte LLP and was Vice Chairman of the UK business and former director of the Remuneration Consultants Group and non-executive director of TMF Group PLC. Carol is a Fellow of the Chartered Institute of Personnel and Development.

#### CURRENT EXTERNAL APPOINTMENTS

Member of the Advisory Group for Spencer Stuart, non-executive director of Vivo Energy PLC, director and trustee of Northern Ballet Limited and director of Arrowsmith Advisory Limited.



### STEFAN BOMHARD

A C N R (51)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in May 2016.

#### KEY SKILLS AND COMPETENCIES

Stefan brings extensive experience of working in international environments, particularly relating to the operation, sales and marketing of well-known consumer food and drink brands.

#### CAREER

Stefan was previously Regional President, Europe, Geneva at Bacardi Martini for five years and held a number of worldwide senior positions at Cadbury Plc, Unilever PLC, Diageo plc, Burger King and Procter & Gamble.

#### CURRENT EXTERNAL APPOINTMENTS

Chief Executive Officer of Inchcape plc.



### JOHN BRYANT

A C N R (53)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in September 2018.

#### KEY SKILLS AND COMPETENCIES

John brings over 30 years' experience to the Board with particular focus on finance, operations, M&A, strategy and portfolio transformation.

#### CAREER

John was the former Executive Chairman and CEO of global consumer goods company Kellogg. Prior to joining Kellogg in 1998, John held strategic and operational roles in several companies, worldwide.

#### CURRENT EXTERNAL APPOINTMENTS

Non-executive director of Ball Corporation and Macy's Inc. and an advisor to Godiva.



## ANNE-FRANCOISE NESMES

**A C N R** (47)

### NON-EXECUTIVE DIRECTOR

Appointed to the Board in July 2018.

#### KEY SKILLS AND COMPETENCIES

Anne-Francoise has a wealth of experience in finance and accounting gained in international organisations with a strong focus on strategy, M&A and governance.

#### CAREER

Anne-Francoise is currently the Chief Financial Officer of Merlin Entertainments plc and has held this position since 2016. Prior to joining Merlin, Anne-Francoise was the Chief Financial Officer of Dechra Pharmaceuticals PLC and also held a number of senior finance roles during her 16 year tenure at GlaxoSmithKline.

#### CURRENT EXTERNAL APPOINTMENTS

Chief Financial Officer, Merlin Entertainments plc and a director of Merlin Entertainment plc subsidiary companies: Sea Life Trust Limited, Merlin Entertainments Share Plan Nominee Limited, Merlin's Magic Wand Trustees Limited and Sea Life Trustees Limited.



## NELSON SILVA

**A C \* N R** (63)

### NON-EXECUTIVE DIRECTOR

Appointed to the Board in July 2015.

#### KEY SKILLS AND COMPETENCIES

Nelson has considerable executive management experience in a variety of senior leadership roles within major international companies, with a particular focus on Brazil.

#### CAREER

Nelson was formerly President of the Aluminium business unit at BHP Billiton, based in the UK. Prior to joining BHP Billiton, he held a number of senior positions at Vale, including Sales and Marketing Director based in Belgium, Japan and Brazil. Nelson was also Managing Director of Embraer for Europe and Africa, based in France, and Chief Executive Officer of All Logistica in Argentina.

Nelson previously held the position of Senior Vice President of BG Group plc responsible for Brazil, Bolivia and Uruguay. He is a former board member of the Brazilian Institute of Oil and Gas, the Brazilian Association of Petroleum Companies and of the Social and Development Council of Brazil's Presidency. Nelson was formerly a senior consultant to BHP Billiton Brazil and a Board Member of the Brazilian Symphonic Orchestra.

#### CURRENT EXTERNAL APPOINTMENTS

Executive director of Petróleo Brasileiro S.A.



## IREENA VITTAL

**A C N R** (50)

### NON-EXECUTIVE DIRECTOR

Appointed to the Board in July 2015.

#### KEY SKILLS AND COMPETENCIES

Ireena brings strong advisory, business and operational experience across a variety of retail businesses, with a particular focus on India.

#### CAREER

Ireena was formerly a non-executive director of Tata Global Beverages Limited, Tata Industries, Zomato Media Private Limited, GlaxoSmithKline Consumer Healthcare and Axis Bank Limited, Head of Marketing and Sales at Hutchinson Max Telecom and partner at McKinsey and Company.

#### CURRENT EXTERNAL APPOINTMENTS

Non-executive director of Godrej Consumer Products Limited, WIPRO Limited, The Indian Hotels Company Limited, Titan Company Limited and Cipla Limited.



## ALISON YAPP

**A ° C D E G ° N ° R °** (52)

### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Joined the Group in August 2018. Appointed as Group General Counsel and Company Secretary in October 2018.

#### KEY SKILLS AND COMPETENCIES

Alison is a solicitor with more than 25 years' international experience in FTSE and NYSE listed companies across the services, industrial and engineering sectors. She has significant experience in strategic M&A, crisis and change management.

#### CAREER

Most recently Alison was Chief General Counsel and Company Secretary at Amec Foster Wheeler plc which she joined in December 2012. Prior to that, Alison was Company Secretary and General Legal Counsel of Hays plc, Company Secretary and Group Legal Advisor of Charter plc and prior to that held a number of senior legal roles at Johnson Matthey plc.

#### CURRENT EXTERNAL APPOINTMENTS

None.

## BOARD COMMITTEE MEMBERSHIP

<b>A</b>	Audit Committee	page 56
<b>C</b>	Corporate Responsibility Committee	page 64
<b>D</b>	Disclosure Committee	page 55
<b>E</b>	Executive Board	page 55
<b>G</b>	General Business Committee	page 55
<b>N</b>	Nomination Committee	page 68
<b>R</b>	Remuneration Committee	page 71
<b>*</b>	Chairman	
<b>°</b>	Secretary	

## CORPORATE GOVERNANCE REPORT

### DIRECTOR EFFECTIVENESS AND TRAINING

The Board meets regularly during the year as well as on an ad hoc basis, as required by business needs. The Board met six times during the year and member attendance for each meeting held during the year is shown in the table below.

#### MEETING ATTENDANCE

MEMBER	MEMBER SINCE	MAXIMUM NUMBER OF MEETINGS <sup>1</sup>	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
Paul Walsh	Jan 2014	6	6	100%
Carol Arrowsmith	June 2014	6	6	100%
John Bason	June 2011	6	6	100%
Dominic Blakemore	Feb 2012	6	6	100%
Stefan Bomhard <sup>2</sup>	May 2016	6	5	83%
John Bryant <sup>3</sup>	Sep 2018	1	1	100%
Richard Cousins <sup>4</sup>	May 2006	1	1	100%
Gary Green	April 2007	6	6	100%
Anne-Francoise Nesmes <sup>5</sup>	July 2018	2	2	100%
Don Robert <sup>6</sup>	May 2009	4	3	75%
Nelson Silva	July 2015	6	6	100%
Johnny Thomson	Dec 2015	6	6	100%
Ireena Vittal	July 2015	6	6	100%

1. The maximum number of meetings that a member was eligible to attend.
2. Mr Bomhard was unable to attend the September 2018 meeting due to an unavoidable prior commitment, but provided his feedback on the papers in advance.
3. Appointed to the Board and its committees on 1 September 2018.
4. Ceased to be a director on 31 December 2017.
5. Appointed to the Board and its committees on 1 July 2018.
6. Stepped down from the Board and its committees on 31 May 2018. Mr Robert was unable to attend the March 2018 meeting due to family illness.

If a director is unable to attend a Board or committee meeting, the Chairman of the Board and/or committee Chairman are informed and the absent director is encouraged to communicate comments and opinions on the matters to be considered. Each director also attends the AGM to answer shareholder questions.

Board activities are structured to help the Board achieve its goals and to provide support and advice to the executive management team on the delivery of Group strategy within a robust governance framework.

Throughout the year, the Board received presentations from colleagues across the Group and regularly reviewed the periodic financial results, market consensus, competitor updates, merger and acquisition opportunities, capital expenditure and other matters. We have set out opposite some highlights from the Board's calendar during 2017-2018.

Meetings between the Chairman and non-executive directors, both with and without the presence of the Group CEO, are scheduled in the Board's annual programme. During the year, the non-executive directors met on several occasions without the presence of the executives. These meetings were encouraged by the Chairman and provide the non-executive directors with a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and committee meetings and strengthening working relationships.

### INSIGHT INTO THE BOARDROOM – THE YEAR'S MEETINGS IN REVIEW

The following is a summary of the significant matters considered by your Board throughout the year:

#### NOVEMBER (UK)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- Draft final results announcement
- Final dividend parameters
- Draft Annual Report and Accounts
- Annual review of International Clients and Market Development
- Defence, Offshore & Remote sector update
- BeNeLux presentation

#### FEBRUARY (UK)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- AGM trading update
- Healthcare sector update

#### MARCH (USA)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- Biannual major risk assessment
- North America business update
- People strategy update
- Meetings with local management
- Strategy including succession

#### MAY (UK)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- Draft interim results announcement
- Interim dividend parameters
- Education sector update

#### JULY (GERMANY)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- Continental Europe business update
- Draft Q3 trading update
- Treasury review
- Annual Board evaluation (internal)
- Conflicts of interest

#### SEPTEMBER (UK)

- HSE performance
- Group CEO's review
- M&A and strategy update
- Capital expenditure and contracts
- Financial performance
- 2018-2019 budget and three-year plan
- Annual litigation update
- Investor Relations update
- Biannual major risk assessment
- Business & Industry sector update
- IT update

In addition to routine financial and operating reports and updates (including health and safety) the Board spends time debating and formulating Group strategy and reviewing its performance.

Each year, the Board aims to hold two meetings overseas. By going out into the business, the directors are able to meet with a diverse group of colleagues on a more informal basis which greatly assists in the succession planning process. These visits provide an opportunity to assess local management performance and potential, to gain further insight into how the business works on a day to day basis and to speak first hand to local management and listen to their views.

The format of visits often comprises a macroeconomic overview of the country; its social and political systems; challenges and opportunities; a review of the competitive landscape; and a detailed review of the relevant business sectors in which the business operates, its people, as well as the three year plan. This year, the Board met in Germany and the USA and received presentations from local management.

The Board has established a procedure for directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. Every director also has access to the Group General Counsel and Company Secretary, who helps to ensure that Board procedures are followed and that good corporate governance and compliance are implemented throughout the Group. Together with the Group CEO and the Group General Counsel and Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved to it. Board papers and other information are distributed in a timely fashion to allow directors to be properly briefed in advance of meetings. In accordance with the Company's Articles of Association, directors have been granted an indemnity by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage where a director is proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers.

In accordance with best practice, the Chairman addresses the developmental needs of the Board as a whole, with a view to further developing its effectiveness as a team, and ensures that each director refreshes and updates his or her individual skills, knowledge and expertise.

A formal, comprehensive and tailored induction is given to all non-executive directors following their appointment, including access to external training courses, visits to key locations within the Group and meetings with members of the Executive Board and other key senior executives. The induction also covers a review of the Group's governance policies, structures and business, including details of the risks and operating issues facing the Group.

Ensuring that Compass retains its disciplined approach to long term growth, its focus on food as its core competence, and its delivery of value for all of its stakeholders is dependent on the successful implementation of the strategy set by the Board. While the Group's strategy is continuously discussed and refined throughout the year, the Board takes time out of its regular schedule every year to debate and reflect on broader strategic issues. The Board held a strategy day in March when it discussed the Group's strategy at length. This is supported by strategy updates at every Board meeting. More information about the Group's strategy can be found on pages 1 to 43.

Succession planning is a matter for the whole Board, rather than for a committee. The Company's Articles of Association provide that one third of the directors retire by rotation each year and that each director will seek re-election at the AGM every three years. However, in accordance with the Code, all directors submit themselves for annual re-election by shareholders. New directors may be appointed by the Board, but are subject to election by shareholders at the first opportunity after their appointment. The Articles of Association limit the number of directors to not less than two and not more than 20, save where shareholders decide otherwise. Non-executive directors are normally appointed for an initial term of three years, which is reviewed and may be extended by two further three year terms. It is Board policy that non-executive director appointments should last for no more than nine years.

There were a number of changes made to the composition of the Board during the year. Dominic Blakemore's appointment as Group Chief Executive was advanced to 1 January 2018, earlier than the scheduled date of 1 April 2018.

Don Robert retired from the Board as SID on 31 May 2018, and was succeeded by John Bason on 1 June 2018. John has been a non-executive director on the Board since June 2011 and is also Chairman of the Audit Committee. The role of the SID involves providing a sounding board for the Chairman and acting as an intermediary for other directors and shareholders where necessary; a role for which John is well qualified.

Anne-Francoise Nesmes and John Bryant were appointed as non-executive directors with effect from 1 July 2018 and 1 September 2018 respectively. Anne-Francoise has a wealth of experience in finance and accounting gained in international organisations, with a strong focus on strategy, M&A and governance. John has significant experience in finance, operations, M&A, strategy and portfolio transformation and brings a valuable insight into markets in the USA. Board member biographies can be seen on pages 49 to 51.

Johnny Thomson, our Group Finance Director, will step down from the Board on 31 December 2018. His successor, Karen Witts, will join the company as Group CFO on 8 April 2019.

## PROMOTING THE SUCCESS OF THE COMPANY

The Company's success is the driving factor behind all decisions made by the Board. Decision making processes are structured to enable directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term. The Board carefully considers the impact of the business on the communities and environments in which the Group operates. Due consideration is paid to Compass' stakeholders, including but not limited to our customers, suppliers, business partners, employees and shareholders. In all of its activities, and those of the Group, the Board requires that our employees and partners conduct business with the highest ethical and professional standards. The Corporate Responsibility Committee oversees Compass' commitment to make a positive contribution to the health and wellbeing of our clients and consumers, the communities where we work and the world in which we live.

## MAINTAINING A DIALOGUE WITH SHAREHOLDERS

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. The Group CEO, Group Finance Director and the Investor Relations and Corporate Affairs Director regularly meet with institutional investors to discuss strategic issues and to make presentations on the Company's results. Non-executive directors develop an understanding of the views of major shareholders through regular updates from the Investor Relations and Corporate Affairs Director.

As well as full and half year results and quarterly trading updates, the Company publishes Regulatory News Service announcements through the London Stock Exchange and runs an active investor relations engagement programme.

The Group General Counsel and Company Secretary also acts as an important focal point for communications on corporate governance matters throughout the year, but with a particular intensity leading up to, during and after shareholder meetings.

The Company's website provides an excellent means of communicating with and receiving communications from shareholders, potential investors and the wider stakeholder community. The website contains an archive of information on the Company's history, leadership, governance, policies, financial results, dividend history and up to date share price information.

Although the non-executive directors are not formally required to meet the shareholders of the Company, their attendance at presentations of the interim and annual results is encouraged.

All of our shareholders are invited to attend our AGM, which provides a forum in which they can put questions to the Board and the committee Chairmen. It also provides shareholders with an opportunity to meet with directors on a more informal basis after the meeting.

The Board would like to thank all those shareholders who took time to attend the Company's 2018 AGM. The Notice of Meeting for the 2019 AGM, which is due to be held on Thursday 7 February 2019 at Twickenham Stadium, can be found on pages 193 to 201. We look forward to seeing you there.

## BOARD EFFECTIVENESS

The Chairman is responsible, with assistance from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, expertise and experience. Every year, a performance evaluation of the Board and its committees is carried out to ensure that they continue to be effective, and that each of the directors demonstrates commitment to his or her respective role and has sufficient time to meet his or her commitment to the Company.

An independent external evaluation was conducted by EquityCommunications Limited (ECL) in May 2016 in line with the mandated triennial external requirement set out in the Code. This was the second occasion on which ECL had conducted an independent, externally facilitated Board evaluation.

The 2016 evaluation undertaken by ECL took the form of one-on-one interviews with all members of the Board and the Group General Counsel and Company Secretary. It covered questions about Board administration, strategy and operations, Board composition, committee structure and succession planning. ECL's report on the outcome of the evaluation was presented to the Board at its September 2016 meeting and was summarised in the 2016 Annual Report and Accounts. The next external evaluation will be carried out in the year ending 30 September 2019.

The Board evaluation is used to provide a full and frank appraisal of the contribution of each individual director and the effectiveness of the Board and its committees. A private meeting of the SID and non-executives is held to evaluate the performance of the Chairman, taking into account the views of the executive directors. Through the annual evaluation process, the Board concluded that the performance of each director was effective and that both the Board and its committees continued to provide effective leadership and exert the required levels of governance and control. This conclusion aligns with the observations of the Chairman, committee Chairmen and other non-executive directors made within the evaluation process and throughout the year.

As a Board, we are satisfied that all non-executive directors contribute effectively to Board debate, and guide, probe and, where necessary, challenge management's strategic plans and their execution. Each of the non-executive directors brings considerable expertise and experience accumulated in their professional careers. Performance and training of the Board and its members is further supported by a full induction on appointment, twice yearly Board visits to overseas businesses where directors are encouraged to discuss operational matters with local management, and an annual strategy day. In respect of independence, each non-executive director is free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgement. The quality of the debate at Board and committee meetings indicates that Compass' non-executives devote sufficient time to considering and are well informed on the matters relating to the business.



## CONFLICTS OF INTEREST

As part of their ongoing development, the executive directors may seek one external non-executive role on a non-competitor board, for which they may retain the remuneration in respect of the appointment. In order to avoid any conflict of interest, all appointments are subject to Board approval and the Board monitors the extent of directors' other interests and the time commitment required to fulfil those interests to ensure that its effectiveness is not compromised.

Each director has a duty under the Companies Act 2006 (CA 2006) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. This duty is in addition to the obligation that he or she owes to the Company to disclose to the Board an interest in any transaction or arrangement under consideration by the Company. The Company's Articles of Association authorise the directors to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. The Board follows an established procedure when deciding whether to authorise an actual or potential conflict of interest. Only independent directors (i.e. those who have no interest in the matter under consideration) will be able to make the relevant decision and, in making the decision, the directors must act in good faith and in a way they consider will be most likely to promote the Company's success. Furthermore, the directors may, if appropriate, impose limits or conditions when granting authorisation.

Any authorities are reviewed at least every 15 months. The Board considered and authorised each director's reported actual and potential conflicts of interest at its July 2018 Board meeting and considers any changes on an ad hoc basis throughout the year.

## COMMITTEES OF THE BOARD

As noted on page 46, the Board has established a number of committees to assist in the discharge of its duties.

The formal terms of reference for the principal committees, approved by the Board and complying with the Code, are available from the Group General Counsel and Company Secretary and can also be found at [www.compass-group.com](http://www.compass-group.com). Terms of reference are reviewed annually by their respective committees and updated when necessary to reflect changes in legislation or best practice.

Directors who are not members of individual Board committees may be invited to attend one or more meetings of those committees during the year.

The Group General Counsel and Company Secretary acts as Secretary to all Board committees. The Chairmen of each of the principal committees attend the AGM to respond to any shareholder questions that might be raised on a committee's activities.

In addition to the principal committees, the Board has established the following committees:

### EXECUTIVE BOARD

The Executive Board is the key management committee for the Group and, at the date of this Report, comprises the executive directors of the Company and Chris Garside (Managing Director, Compass Group UK & Ireland); James Meaney (Regional Managing Director, Latin America); Robin Mills (Group HR Director); Sandra Moura (Investor Relations and Corporate Affairs Director); Venkatesh Shantaram (Regional Managing Director, Central Asia, Middle East, Africa, Turkey and Defence, Offshore & Remote); Sapna Sood, (Director of International Clients and Market Development); Juergen Thamm (Regional Managing Director, Continental Europe); Mark van Dyck (Regional Managing Director, Asia Pacific); and Alison Yapp (Group General Counsel and Company Secretary). The Executive Board meets regularly and is responsible for developing the Group's strategy, capital expenditure and investment budgets. It reports on these areas to the Board for approval, implementing Group policy, monitoring health and safety, financial, operational and customer quality of service performance, purchasing and supply chain issues, succession planning and day to day management of the Group.

### DISCLOSURE COMMITTEE

The Disclosure Committee oversees the disclosure of market sensitive information and other public announcements (as necessary) in accordance with relevant laws and regulations.

Meetings are held as required. At the date of this Report, the Disclosure Committee comprises Johnny Thomson, Group Finance Director; Alison Yapp, Group General Counsel and Company Secretary; the Group Financial Controller; the Director of Group Internal Audit; the Group Director of Strategy and M&A; and the Investor Relations and Corporate Affairs Director.

### GENERAL BUSINESS COMMITTEE

The General Business Committee comprises all of the executive directors and meets as required to conduct the Company's business within clearly defined limits delegated by the Board and subject to those matters reserved to the Board.

### AUDIT COMMITTEE – PAGES 56 TO 63

### CORPORATE RESPONSIBILITY COMMITTEE – PAGES 64 TO 67

### NOMINATION COMMITTEE – PAGES 68 TO 70

### REMUNERATION COMMITTEE – PAGES 71 TO 93

**AUDIT COMMITTEE REPORT**

# Effective controls and rigorous oversight



## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 30 September 2018. The Committee plays a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's systems of internal control and financial and regulatory risk management systems. In the pages which follow we give an insight into the activities and workings of the Committee during the year.

## THE YEAR IN REVIEW

The Committee continued to focus on key issues related to the Group's financial reporting, such as accounting judgements, internal control activities, compliance matters and the ongoing quality of related disclosures, the importance of which have been underlined by recent high-profile UK corporate failures. We also covered other important areas such as a review of the Company's viability and going concern statements, and performed the related financial stress testing in order to meet the requirements of the Code.

In addition to routine committee work, we spent time assessing the impact and reporting implications of IFRS 15, dealing with revenue from contracts with customers, which will apply to Compass for the financial year ending 30 September 2019. We have also begun to assess the impact of IFRS 16, which will require all material operating leases to be recorded on the balance sheet for the financial year ending 30 September 2020.

Two new non-executive directors were appointed during the year and I would like to take this opportunity to welcome Anne-Francoise Nesmes and John Bryant to the Committee.

Mr Anthony Sykes, who has been the Company's senior statutory auditor since KPMG LLP (KPMG) was appointed as external auditor in 2014, will rotate off the Company's external audit on completion of the audit of the Company's financial statements for the year under review. He will be succeeded by Mr Paul Korolkiewicz.

## RISK APPETITE, PRINCIPAL OPERATIONAL RISKS AND RISK ASSURANCE

The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Company is not inhibited. The Committee and the Board remain satisfied that the Company's internal risk control framework continues to provide the necessary element of flexibility without compromising the integrity of risk management and internal control systems.

We continue to develop and grow our business but, of course, in some of the territories where we operate, the concept of corporate governance is still underdeveloped. In these regions in particular, it is important to have a clear, well-established system of risk management and internal control to ensure that growth is underpinned by solid business practice. In this regard, we have strengthened our Regional Governance Committees (RGCs) with the aim of further embedding the Group's risk management culture within the business.

The Group Risk Management Committee (RMC), comprising a multi-disciplinary team of key individuals, assists the Audit Committee with its work. The Chairman of the Committee is the Group Finance Director and the membership comprises the Group General Counsel and Company Secretary, the Director of Group Internal Audit, the Group Financial Controller, the Investor Relations and Corporate Affairs Director, the Group HR Director and the Group Director of Strategy and M&A. The RMC, in conjunction with the efforts of its colleagues in the Group's RGCs, further embeds the Group's risk management culture within the business. It also provides an additional layer of oversight to help underpin the assurances given by the Committee to the Board in connection with the appropriateness of the Group's financial reporting, the effectiveness of the internal and external audit functions, the management of the Group's systems of internal control and business risks, and related compliance activities.

The Committee had oversight of a robust annual review and assessment of the principal risks and uncertainties of the Group. The review was conducted internally by a multi-disciplinary team. The purpose of the review was to determine in the context of the macro environment and Group strategy: (i) if the principal risks and uncertainties disclosed in the 2017 Annual Report applied to the current financial year; (ii) whether there had been any year on year variance to the status of each risk; (iii) what should be removed or added?

As set out in the Principal Risks section on pages 35 to 37, last year's risks continue to be pertinent, albeit our perception of how these risks have, as appropriate, remained static, increased or diminished may have changed.

We are a global business operating in countries and regions with diverse economic and political conditions and, because of this, the Group's operations and earnings may be adversely affected by political or economic instability.

As more fully described on page 35, potential changes in US trade policy and tax regulations, and the terms of the UK's departure from the European Union are expected to have an effect on the Group. The full impact is not clear at this stage and the Committee will continue to monitor developments and any reporting or accounting matters that need to be considered once the full impact of the US reforms and Brexit is known.

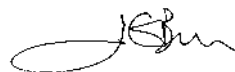
## FAIR, BALANCED AND UNDERSTANDABLE

The Code provides that, through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's prospects. At the Board's request, the Committee has reviewed the 2018 Annual Report to determine whether it considered that the document, taken as a whole, meets this standard and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee has concluded that this requirement has been met.

On pages 18 and 19 and throughout this Report, we track our performance against a mix of financial and non-financial KPIs, which the Board and executive management consider best reflect our strategic priorities. The Committee has considered these KPIs and is satisfied that the information that has been selected by the Board and the executive management will help to convey an understanding of the culture of the business and the drivers which contribute to its ongoing success and will be of interest to stakeholders.

## THE YEAR AHEAD

The Committee fulfils a key role within the Group. We have a busy agenda and in the coming 12 months we will continue to exercise our oversight role, assisting the Board to ensure that the integrity of the Group's published financial statements, and the effectiveness of the Group's internal financial controls and risk management systems continue to be protected.



**John Bason**  
Chairman of the Audit Committee

20 November 2018

## THE AUDIT COMMITTEE

### MEMBERSHIP AND MEETINGS

The Audit Committee comprises John Bason, Chairman, and all of the non-executive directors in office at the date of this Report. Members of the Audit Committee are appointed by the Board following recommendation by the Nomination Committee. The Audit Committee's membership is reviewed and assessed in the context of the range of skills, knowledge and experience required by the Code, by the Nomination Committee and also as part of the annual Board performance evaluation.

The members of the Audit Committee have been chosen to provide the wide range of financial and commercial experience needed to undertake its duties and each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience in multinational and/or complex organisations, combined with a sound understanding of the Company's business, and is therefore considered by the Board to be competent in the Company's sector. The expertise and experience of the members of the Audit Committee are summarised on pages 50 and 51. The Board considers that each member of the Audit Committee is independent within the definition set out in the Code and is capable of assessing the work of management and the assurances provided by the internal and external audit functions. The Audit Committee's Chairman, John Bason, is the Finance Director of Associated British Foods plc and is therefore considered by the Board to have significant, recent and relevant financial experience and to be competent in auditing and accounting.

All members of the Audit Committee receive an appropriate induction, covering the role and remit of the Committee and an overview of the business, its financial dynamics and its risks and, where appropriate, meetings with key individuals. Audit Committee members are expected to have an understanding of the principles of, and recent developments in, financial reporting, including the applicable accounting standards and statements of recommended practice, key aspects of the Company's policies, financing, internal control mechanisms, and matters that require the use of judgement in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Audit Committee undertake ongoing training as required.

The Audit Committee meets throughout the year and its agenda is linked to events in the Company's financial calendar. Each member of the Audit Committee may require reports on matters of interest in addition to the regular items. The Audit Committee met three times during the year with an appropriate interval between each of the meetings to ensure that work arising from Committee meetings could be carried out and reported back to the Board, as appropriate. Members' attendance at the meetings held during the year is set out in the table above.

### MEETING ATTENDANCE

MEMBER	MEMBER SINCE	MAXIMUM NUMBER OF MEETINGS <sup>1</sup>	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
John Bason	June 2011	3	3	100%
Carol Arrowsmith	June 2014	3	3	100%
Stefan Bomhard <sup>2</sup>	May 2016	3	2	67%
John Bryant <sup>3</sup>	Sep 2018	1	1	100%
Anne-Francoise Nesmes <sup>4</sup>	July 2018	1	1	100%
Don Robert <sup>5</sup>	May 2009	2	2	100%
Nelson Silva	July 2015	3	3	100%
Ireena Vittal	July 2015	3	3	100%

1. The maximum number of meetings that a member was eligible to attend.
2. Mr Bomhard was unable to attend the September 2018 meeting due an unavoidable prior commitment, but was able to give his feedback on the papers in advance.
3. Appointed to the Board and its committees on 1 September 2018.
4. Appointed to the Board and its committees on 1 July 2018.
5. Stepped down from the Board and its committees on 31 May 2018.

The Audit Committee invites Paul Walsh, Chairman; Dominic Blakemore, Group CEO; Johnny Thomson, Group Finance Director; the Group Financial Controller; and the Director of Group Internal Audit, together with senior representatives of the external auditor, to attend each meeting although, periodically, it reserves time for discussions without invitees being present. Other members of senior management are invited to present such reports as are required for the Audit Committee to discharge its duties.

The Chairman of the Audit Committee keeps in touch with key individuals involved with the Company's governance, including the Group CEO, Group Finance Director, the Group General Counsel and Company Secretary, the Director of Group Internal Audit and the external Senior Statutory Auditor, and attends the AGM to respond to any shareholder questions that might be raised concerning its activities. The remuneration of the members of the Audit Committee and the policy with regard to the remuneration of the non-executive directors are set out on pages 81 and 92.

### OBJECTIVES

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

## ACTIVITY DURING THE YEAR

The key matters reviewed and evaluated by the Audit Committee during the year are set out below:

### FINANCIAL REPORTING

- the appropriateness of the interim and annual financial statements (including the announcements thereof to the London Stock Exchange) with both management and the external auditor, including:
  - at the Board's request, whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
  - the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements and guidelines, including the European Securities and Markets Authority Guidelines on Alternative Performance Measures
  - discussing the critical accounting policies and use of assumptions and estimates, as noted in section B of the accounting policies on page 116 of this Annual Report, and concluding that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Company's accounting policies. This included, for example, the consideration of any goodwill impairment assessments and how these were addressed

- the material areas in which significant judgements have been applied, namely:
  - considering the nature and quantum of the purchasing income earned by the Group during the financial year. It also assessed the extent to which the amounts recognised required estimation and reviewed the recoverability of amounts accrued at the year end with reference to aged analyses and subsequent cash receipts. Nothing arose during the course of this review to indicate that anything but limited judgement was required, or that purchasing income had not been accounted for in accordance with the Group's accounting policies
  - the level of provisioning for liabilities (including tax) where management, accounting and legal judgements are important. The Committee discussed with management the key judgements made, in particular, the policy efforts being led by the EU and OECD which may have a material impact on the taxation of all international businesses, including relevant legal advice. The external auditor also reported on all material provisions to the Committee
- the going concern and viability statements
- non-financial information

### OTHER MATTERS

In addition to its key role in the financial reporting process, the Audit Committee also considered the following as well as developments in regulation, such as in relation to changes in International Financial Reporting Standards:

ITEMS DISCUSSED	NOV 2017	MAY 2018	SEP 2018
<b>INTERNAL AUDIT</b>			
• approval of the Group's internal audit plan, risk controls and the review of internal audit activity reports and updates	•	•	•
• consideration of Group internal audit's review of key financial controls and key IT controls		•	•
<b>EXTERNAL AUDIT</b>			
• audit report on interim results		•	
• approval and review of the proposed audit plan and procedures		•	•
– review of auditor effectiveness/independence following KPMG's fourth year as external auditor		•	
– agreement of external auditor fees for 2018-2019		•	
– review of the policy and update of the provision of non-audit services provided by the external auditor	•	•	•
– assessment of the deployment of the audit plan			•
• audit report on full year results	•		
<b>OTHER MATTERS</b>			
• litigation and contingent liabilities	•	•	•
• operation of the Group's Speak Up whistleblowing policy	•	•	•
• country and theme specific audit matters	•	•	•
• the RGC structure and the outputs from committee meetings	•	•	•
• tax matters, including provisioning for potential current tax liabilities and the level of deferred tax asset recognition as well as compliance with statutory tax reporting obligations	•	•	•
• certificates of assurance from local management	•	•	
• considered the findings of the inspection of KPMG by the Audit Quality Review team of the FRC			•
• terms of reference: annual review			•

## EXTERNAL AUDITOR

An external audit tender and appointment process was concluded in 2014. The Committee considers that the Company has complied with the legal requirements relating to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

In line with applicable legislation and best practice, no one can act as an engagement partner for a listed company for more than five years and, thereafter, there has to be a five year gap before the same individual can undertake that role for the Company. As noted on page 56, Mr Anthony Sykes who has been the Company's senior statutory auditor since 2014, will rotate off the Company's external audit on completion of the audit of the Company's financial statements for the year under review. He will be succeeded by Mr Paul Korolkiewicz.

To ensure objectivity, key members of the external audit team rotate off the Company's audit. To safeguard the independence of the Company's external auditor and the integrity of the audit process, the recruitment of senior employees from the Company's auditor is not permitted for a period of at least two years after they cease to be involved in the provision of services to the Company.

The Committee currently intends to tender its audit in 2023-2024 with a view to the chosen firm being appointed in 2024.

## EXTERNAL AUDIT

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The Committee reserves oversight responsibility for monitoring the auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit Committee is responsible for the re-tendering selection process and recommends the appointment, reappointment and removal of the Company's external auditor, and considers the risks associated with its withdrawal from the market in its risk evaluation and planning. The Audit Committee also reviews and sets the terms, areas of responsibility and scope of the audit as set out in the external auditor's engagement letter; the overall work plan for the forthcoming year, together with the associated fee proposal and cost effectiveness of the audit; the external auditor's independence; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; the recommendations made to management by the auditor and management's response; and the auditor's overall performance.

The Company operates a policy on non-audit fees which it reviews annually and discloses the ratio of audit to non-audit fees paid in each financial year.

The Audit Committee monitors the extent of non-audit work which the external auditor can perform, to ensure that the provision of those non-audit services that can be undertaken by the external auditor falls within the agreed policy and does not impair its objectivity or independence. Following the change of external auditor in 2014, the Committee agreed that Deloitte LLP should continue to provide tax services to the Group and has amended its policy on the provision of non-audit services by the external auditor accordingly to exclude such services. Therefore, the external auditor should be excluded from providing the Company with general consultancy and all other non-audit services, unless there is no other competent and available provider. Engagements for non-audit services that are not prohibited are subject to formal approval by the Audit Committee based on the level of fees involved. Non-audit services that are pre-approved are either routine in nature with a fee that is not significant in the context of the audit or are audit related services.

Within the constraints of applicable UK rules, the external auditor has traditionally undertaken some due diligence reviews and other pieces of non-audit work. The provision of non-audit services within such constraints and the agreed policy is assessed on a case by case basis so that the best placed advisor is retained. Principal non-audit services provided by KPMG and approved by the Audit Committee during the year ended 30 September 2018 primarily comprised assistance on audit related services.

During the year, the Audit Committee reviewed KPMG's fees for its services performed to 30 September 2018, its effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The review included a formal evaluation process involving the use of questionnaires completed by finance teams around the Group.

The Audit Committee also considered the robustness of the 2018 audit, the degree to which KPMG was able to assess key accounting and audit judgements and the content of the management letter issued by the external auditor. On the basis of the Committee's evaluation and taking into account the views of other key internal stakeholders, the Committee concluded that both the audit and the audit process were effective.

The total fees paid to KPMG in the year ended 30 September 2018 were £7.0 million of which £0.7 million related to non-audit work (2017: £5.2 million of which £0.3 million related to non-audit work). Further disclosure of the non-audit fees paid during the year can be found in note 2 to the consolidated financial statements on page 126.

## REAPPOINTMENT OF AUDITOR

There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation to shareholders on the reappointment of KPMG, the Committee took into account, amongst other matters, the tenure, objectivity and independence of KPMG and its continuing effectiveness and cost as well as the availability of firms within the wider audit market. KPMG has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing KPMG's reappointment and determination of its remuneration by the Audit Committee will be proposed at the 2019 AGM.

## DISCLOSURE OF RELEVANT AUDIT INFORMATION

The directors confirm that, so far as they are each aware, there is no relevant audit information of which KPMG is unaware and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that KPMG is aware of that information.

## OUR STANDARDS

The Company remains committed to the highest standards of business conduct and expects all of its employees to act accordingly. The Group's Speak Up policy (an extension of the Code of Ethics incorporated within the Group's Code of Business Conduct (CBC) which is available in 40 languages) sets out arrangements for the receipt, in confidence, of complaints on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the Audit Committee. Speak Up is a standard review item on all internal audit work programmes. The Corporate Responsibility Committee retains overall responsibility for the Group's CBC programme, the training of employees and the way in which management obtain assurance in this area, including the annual self-certification process which saw more than 3,300 key employees of influence confirm their continued compliance with the CBC and the Code of Ethics in the year ended 30 September 2018. The CBC and Code of Ethics are available on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The Audit Committee also receives updates on any allegations of bribery and fraud in the business at every meeting, with individual updates being given to the Audit Committee, as needed, in more serious cases of alleged bribery, fraud or related activities. The Group's theft and anti-fraud policies are a subset of the CBC, which does not tolerate any activity involving fraud, dishonesty or deception. These policies, for which the Audit Committee retains overall responsibility, set out how allegations of fraud or bribery are dealt with, such as by the local human resources or finance team, and the frequency of local reporting that feeds into the regular updates, which are presented to the Audit Committee. Reporting of these matters to the Audit Committee is managed and overseen by the internal audit function. The Speak Up policy operates when the complaint is received through the whistleblowing channel and that policy will redirect the alleged fraud or bribery for investigation at the most appropriate level of the organisation which may, for example, be by a member of the local human resources team or, on occasion, the Audit Committee itself.

Each year, the Audit Committee critically reviews its own performance and considers where improvements can be made and in so doing it considers, amongst other things, those matters discussed by the Audit Committee, such as:

- Audit Committee composition, structure and activities
- how well the Committee oversees the financial reporting process
- how well it understands and evaluates the effectiveness and conclusions of internal control and the adequacy of the related disclosures
- whether the Committee's terms of reference are appropriate for the particular circumstances of the Company and comply with prevailing legislation and best practice
- whether the number and length of time of Committee meetings are sufficient to meet the role and responsibilities of the Committee and coincide with key dates within the financial reporting and audit cycle
- identification of additional training needs for Committee members

This is underpinned by the performance annual evaluation of the Board and its committees, referred to on page 54.

## INTERNAL AUDIT

The Audit Committee reviews the effectiveness of the Group's internal audit function and its relationship with the external auditor, including internal audit resources, plans and performance as well as the degree to which the function is free of management restrictions. Throughout the year, the Audit Committee reviewed the internal audit function's plans and its achievements against those plans. The Audit Committee considered the results of the audits undertaken by the internal audit function and the adequacy of management's response to matters raised, including the time taken to resolve any such matters.

## INTERNAL CONTROL

The Audit Committee also reviews the integrity of any material financial statements made by the Company. It monitors and conducts a robust review of the effectiveness of the Group's internal control systems, accounting policies and practices and compliance controls (including key financial controls) as well as the Company's statements on internal control before they are agreed by the Board for each year's Annual Report. The Board retains overall responsibility for internal control and the identification and management of business risk and is assisted in this regard by a top down and bottom up process of risk identification and management which is the subject of regular interim review by RGCs and the RMC. The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security and the Group's CBC. The internal audit function is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the business. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Director of Group Internal Audit as appropriate. The Audit Committee reviews internal audit reports and considers the effectiveness of the function.

In a Group where local management have considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investments and the Company's assets. The directors acknowledge that they have overall responsibility for risk management, the Group's systems of internal control, for reviewing the effectiveness of those controls and for ensuring that an appropriate culture has been embedded throughout the organisation. In accordance with the guidance set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Code itself, an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group. This process has been in place for the full financial year and up to the date on which the financial statements were approved.

The systems are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, safeguard the Group's assets against material loss, fairly report the Group's performance and position, and to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. The systems provide reasonable, but not absolute, assurance against material misstatement or loss. Such systems are reviewed by the Board to deal with changing circumstances.

A summary of the key financial risks inherent in the Group's business is given on pages 35 to 37. Risk assessment and evaluation are an integral part of the annual planning cycle. Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control. As part of the review, each significant business and function has been required to identify and document each substantial risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls. Senior managers are also required to sign biannual confirmations of compliance with key procedures and to report any breakdowns in, or exceptions to, these procedures. Summarised results are presented to senior management (including to the RGCs) and to the Board.



These processes have been in place throughout the financial year ended 30 September 2018 and have continued to the date of this Report. Taken together, these processes and the reports they generate, which are considered by the Audit Committee, constitute a robust assessment of key risks and the internal controls that exist, and are designed to mitigate these risks. The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out in this Report.

### CONTROL ENVIRONMENT

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the operation of the internal control and risk management programme to the Executive Board. The detailed review of internal control has been delegated to the Audit Committee. The management of each business is responsible for internal control and risk management within its own business and for ensuring compliance with the Group's policies and procedures. Each business has appointed a risk champion whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme. The internal auditors and external independent auditors have reviewed the overall approach adopted by the Group towards its risk management activities so as to reinforce these internal control requirements.

### CONTROL PROCEDURES

The Board reviews its strategic plans and objectives on an annual basis and approves Group budgets and strategies in light of these. Control is exercised at Group, regional and business level through the Group's MAP framework (as well as through the RGCs), monthly monitoring of performance by comparison with budgets, forecasts and cash targets, and by regular visits to Group businesses by the Group CEO, Group Finance Director, Group General Counsel and Company Secretary, and Group HR Director.

This is underpinned by a formal major risk assessment process, which is an integral part of the annual business cycle and is also a robust process adopted to support the viability statement. Each of the Group's businesses is required to identify and document major risks facing their business and appropriate mitigating activities and controls, and to monitor and report to management on the effectiveness of these controls on a biannual basis. These reports, together with reports on internal control and departures, if any, from established Group procedures prepared by both the internal and external auditors, are reviewed by the Group Finance Director and the Audit Committee. Group companies also submit biannual risk and internal control assurance letters to the Group Finance Director on internal control and risk management issues, with comments on the control environment within their operations. The Group Finance Director summarises these submissions for the Audit Committee, and the Chairman of the Audit Committee reports to the Board on any matters that have arisen from the Audit Committee's review of the way in which risk management and internal control processes have been applied.

The Board has formal procedures in place for the approval of client contracts, capital investment and acquisition projects, with clearly designated levels of authority, supported by post investment review processes for selected acquisitions, client contracts and major capital expenditure. The Board considers social, environmental and ethical matters in relation to the Group's business and assesses these when reviewing the risks faced by the Group; further information regarding environmental and ethical matters is available on pages 38 to 43. The Board is conscious of the effect such matters may have on the short and long term value of the Company.

The external auditor of the Company and the Director of Group Internal Audit attend Audit Committee meetings and receive its papers. Committee members meet regularly with the external auditor and with the Director of Group Internal Audit, without the presence of executive management.

There were no changes to the Company's internal control over financial reporting that occurred during the year ended 30 September 2018 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

# Building on our commitments



## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Corporate Responsibility (CR) Committee's Report for the financial year ended 30 September 2018.

The CR Committee is responsible for assisting the Board and the Company in fulfilling its corporate responsibility in line with the Company's strategy, policies and standards. We oversee the Company's progress against our CR commitments and the targets we set.

During the year, we continued to develop our CR agenda and activity programmes with a particular focus on our sustainability strategy, supply chain integrity and our health and safety performance.

We take a holistic approach to corporate responsibility, carefully considering the impact the Company's activities have on the communities and environments in which we operate and from which we draw our largest resource, our people, and source our ingredients and products. We have continued to make good progress in the year against our objectives. Our achievements have been made possible by the commitment of our people, underpinned by a well established governance framework.

## THE YEAR IN REVIEW

From a governance perspective our focus this year centred around the development and implications of the new UK Corporate Governance Code 2018 (the New Code). The New Code was published in its final form on 16 July 2018, and applies to the Company's financial year commencing on 1 October 2019. The New Code, amongst other matters, provides guidance to boards on engagement with wider stakeholder groups, including our people. We have always recognised that our people are at the heart of our success and we will continue to evolve our governance arrangements so that we are able to comply with the New Code and prevailing best practice.

## SUSTAINABILITY STRATEGY

Throughout the year, we continued to deliver against our existing sustainability commitments. I am delighted to report that, as a Group, we have gained new momentum thanks to the launch of our social purpose – to be a responsible corporate citizen, with an all encompassing safety culture with people at its heart, supported by a renewed sustainability strategy. Our global sustainability strategy sets out our global priorities for responding to social and environmental change, to create a positive impact, drive growth and future proof our business. Our strategy is defined by three priorities: health & wellbeing, environmental game changers and better for the world. We will continue to target specific areas where we are able to make a positive impact on the food system and the environment, for example in reducing food waste and the use of single-use plastics and developing plant-forward meals, initiatives which we believe will support the global reduction of CO<sub>2</sub> emissions.

The Committee supports the Group's social purpose and enhanced sustainability strategy which will lead us to a new phase in our CR journey and stand the Group in good stead to tackle the evolving challenges facing businesses today.

Further information on our Corporate Responsibility and sustainability strategy together with a review of progress can be found in the 2018 Corporate Responsibility Report and on pages 38 to 43.

### SAFETY CULTURE

The health and safety of our people and consumers continue to command our focus and underpin our sustainability priorities, and I am pleased to report that this year, we improved our Global Lost Time Incident Frequency and Global Food Safety Incident Rates.

The Committee will continue to closely monitor safety performance across the Group and provide support for ongoing initiatives that will improve existing practices, further embed strong and visible safety leadership throughout our management structures, ensure our people continue to be appropriately trained and protected, and safeguard the wellbeing of our consumers. Further details of some of our ongoing safety initiatives can be found on page 40.

### SUPPLY CHAIN INTEGRITY

Compass' Supply Chain Integrity Policy Statement was revised in 2018 and is supported by the Group's global Supply Chain Integrity Standards. Sourcing responsibly is important to us and we continue to demand robust standards from our suppliers and our own businesses.

The Committee is pleased with the progress that has been made to support compliance with our global standards and will continue to champion responsible behaviour over the coming years. A copy of the Supply Chain Integrity Policy Statement can be found at [www.compass-group.com](http://www.compass-group.com).

## UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

Last year we reported on the alignment of our sustainable business activities with the UN Sustainable Development Goals (UN SDGs). You can find out about our global commitments towards the 2030 goals on page 43. Below are some examples of our initiatives in support of the UN SDGs:



### END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE

In April 2017, our colleagues in the USA successfully launched the Stop Food Waste Day initiative. A year later, the event went global and, in April 2018, client and unit-based activities took place in 34 Compass countries, engaging an estimated 10 million consumers through our Stop Food Waste Day activities. Encouraged by the success of this year's event, Stop Food Waste Day 2019 is scheduled to take place on 24 April 2019 when we hope to build on the momentum we have achieved to date. The initiative complements the Group's aim to reduce food waste by 50% by 2030, bringing additional focus to an important global issue, raising awareness, educating and ultimately influencing behavioural change at all levels.



### ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

In 2018, our Japanese business developed a fast track programme for future leaders which was aimed at tackling a national skills shortage. With the representation of women leadership at a very low level, ensuring that there was a high participation of potential female leaders was a key priority. In the first year of the programme 37% of the candidates were women and, having completed the programme, all went on to take on their first leadership role within 12 months. Developing talent from within is a central part of the Compass approach and ensuring equal access to all to development programmes is key.



### CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT

We support sourcing sustainable seafood and improving the health of our oceans. Recent media attention has focused on the harmful effects of plastic pollution on marine ecosystems. This year, we have partnered with several of our international clients in relation to the use of single-use plastics, working together to define a joint strategy in respect of the usage of those types of products. Together, we have identified specific products that can be eliminated from our sites, explored substitute materials that are more sustainable and also conducted research into how best to positively influence consumer behaviour to promote more responsible disposal or re-use of single-use plastics.

## SLAVERY AND HUMAN TRAFFICKING

In October 2018, Compass published its third annual Modern Slavery Act statement. Compass' position has always been clear in respect of any type of human rights abuse: our people are the key to our continued success and we will not tolerate unethical behaviour in our own operations or within our supply chains. The Committee is dedicated to ensuring that the controls in place to mitigate the risk of this type of activity are regularly reviewed, we keep abreast of developing initiatives, and the Company is appropriately prepared to identify and tackle any potential occurrence of this type of activity.

Our Human Rights Policy, Code of Business Conduct and Code of Ethics set the standards we expect regarding the treatment of all colleagues and contractors within Compass and its supply chains. We require our suppliers to meet our standards and, to this end, our supply contracts specify a commitment to comply with our policies and procedures.

Increasing supply chain transparency is a key element of our Global Supply Chain Integrity Standards. To identify potential vulnerabilities, we conduct comprehensive risk assessments of our supply chains, supported by expert risk analysis. Compass Group is a member of the Supplier Ethical Data Exchange, 'SEDEX', a not for profit organisation enabling sharing of ethical supply chain data providing supplier information in four key areas:

- labour standards
- health and safety
- the environment
- business ethics

Within our UK business, we have rolled out SEDEX to 50% (2017: 30%) of suppliers within those categories we consider higher risk. We are engaging with our global procurement teams to introduce SEDEX across more countries.

We have an established e-learning programme for the Group's procurement teams, designed to raise awareness of the issue of slavery and human trafficking and to help identify and mitigate potential risks from our global supply chain. Colleagues from our Foodbuy procurement teams in the UK and North America, which account for around 70% of our global procurement spend, have been appropriately trained. By 2020, we are committed to extending the e-learning programme to our top 20 countries, which account for over 80% of our global procurement spend.

## THE YEAR AHEAD

The Committee will continue to support the ongoing development of our sustainability strategy and best practice in sustainable business practices as well as oversee and promote the Company's performance in this area. In respect of corporate governance developments, particularly the New Code, the Committee will continue to assess the need for change and to make recommendations to the Board as appropriate. We look forward to progressing the Company's CR agenda in conjunction with our many stakeholders and will continue to listen to their views and incorporate their insights to ensure we are well placed to meet the challenges of the year ahead.



**Nelson Silva**

Chairman of the Corporate Responsibility Committee

20 November 2018

## THE CR COMMITTEE COMPOSITION

The CR Committee comprises Nelson Silva, Chairman, Paul Walsh, Dominic Blakemore, Johnny Thomson, Robin Mills (Group HR Director), Alison Yapp (Group General Counsel and Company Secretary) who succeeded Mark White on 1 October 2018, and all of the non-executive directors in office at the date of this Report. The CR Committee meets at least twice a year. The Committee met twice during the year and members' attendance at meetings held during the year is set out in the table below.

### MEETING ATTENDANCE

MEMBER	MEMBER SINCE	MAXIMUM NUMBER OF MEETINGS <sup>1</sup>	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
Nelson Silva	July 2015	2	2	100%
Carol Arrowsmith	June 2014	2	2	100%
John Bason	June 2011	2	2	100%
Dominic Blakemore <sup>2</sup>	Jan 2018	1	1	100%
Stefan Bomhard	May 2016	2	2	100%
John Bryant <sup>3</sup>	Sep 2018	–	–	n/a
Richard Cousins <sup>4</sup>	Nov 2006	1	1	100%
Robin Mills	Nov 2015	2	2	100%
Anne-Francoise Nesmes <sup>5</sup>	July 2018	–	–	n/a
Don Robert <sup>6</sup>	May 2009	2	2	100%
Johnny Thomson	Dec 2015	2	2	100%
Ireena Vittal	July 2015	2	2	100%
Paul Walsh	Jan 2014	2	2	100%
Mark White <sup>7</sup>	Mar 2008	2	2	100%

1. The maximum number of meetings that a member was eligible to attend.
2. Appointed Group CEO on 1 January 2018.
3. Appointed to the Board and its committees on 1 September 2018.
4. Ceased to be a director on 31 December 2017.
5. Appointed to the Board and its committees on 1 July 2018.
6. Stepped down from the Board and its committees on 31 May 2018.
7. Stepped down as a member on 30 September 2018.

## OBJECTIVES

The objective of the CR Committee is to assist the Board and the Company in fulfilling its corporate responsibility in line with the Company's strategy, policies, processes and standards.

## RESPONSIBILITIES

The Committee's primary responsibilities include health, safety and environmental practices, ethical business conduct, the promotion of employee engagement and diversity as well as community investment.

The Committee has a rolling agenda and receives reports from the Global HSE Director and other senior managers to ensure that progress is being made towards meeting the Group's specific corporate responsibility KPIs and our ongoing corporate responsibility commitments.

The Committee monitors developments in corporate governance and makes recommendations to the Board to adopt best practice changes as appropriate and in this regard is supported by the Group General Counsel and Company Secretary.

Throughout the Annual Report we have sought to include examples of how we are endeavouring to achieve our strategic goals whilst underpinning our core values.

# Building diversity of skills and experience



## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the financial year ended 30 September 2018.

It has been another busy year for the Nomination Committee. We had a number of planned changes to Board membership arising from our steady state succession activities including one key change, the appointment of Dominic Blakemore as Group CEO, which had to be accelerated due to the untimely death of Richard Cousins. It was in this context that the robustness of our succession planning policy was tested. Forward planning meant that we were prepared and well placed to react swiftly to changing circumstances.

## THE YEAR IN REVIEW

By linking succession planning to Board strategy, the Nomination Committee is able to plan further ahead to prepare for future challenges and ensure that the Board has a continuous balance of the right skills, knowledge and experience to satisfy the ongoing and anticipated strategic needs of the Group. Refreshment of the Board is an essential component of the evolutionary nature of strategy, and over the past year we have taken steps to augment the diversity of skills and experience present on the Board. Our approach has been instrumental in ensuring the smooth transition of Board roles between incoming and retiring directors.

## NON-EXECUTIVE DIRECTORS

This year, as part of our Board succession planning process, we appointed two new non-executive directors. Prior to their appointment, the Committee identified the necessary attributes for each specific non-executive director role which was set to correspond with Board strategy. Specialist third party independent recruitment agencies Odgers Berndtson and Spencer Stuart, neither having any other connection to the Company, were used to identify candidates matching the requirements for each role. The Committee reviewed lists of potential appointees, and shortlisted candidates for interview based upon the objective criteria identified at inception.

Candidates were required to demonstrate that they had sufficient time available to devote to the role. Interviews for each of the candidates were arranged with me as Chairman of the Board, the Group CEO and other Board members. Once the preferred candidates had been identified, detailed external references were taken, following receipt of which, the Committee formally recommended the appointments to the Board.

The recruitment process enabled the Committee to determine that the skills and experience brought by both Anne-Francoise Nesmes and John Bryant were complementary to those already present on the Board, and to conclude that their contribution and insights will benefit the Board over the coming years.

Anne-Francoise and John were appointed as non-executive directors with effect from 1 July 2018 and 1 September 2018 respectively. Anne-Francoise has a wealth of experience in finance and accounting gained in international organisations, with a strong focus on strategy, M&A and governance. John has significant experience in finance, operations, M&A, strategy and portfolio transformation as well as a valuable insight into markets in the USA. Biographies of the directors can be found on pages 49 to 51.

Following the completion of his nine year tenure, Don Robert, who had been the SID since October 2015, retired on 31 May 2018. During his time at Compass, Don provided invaluable support to us and offered the Board a constructive insight into markets in the US. John Bason, a long serving non-executive director who is also the Chairman of the Audit Committee, succeeded Don as the SID on 1 June 2018. John's appointment as the SID reflects his extensive experience and I am pleased to report that he has provided excellent support to me and to the Board in his new role.

#### GROUP CFO RECRUITMENT PROCESS

On 4 July 2018, Johnny Thomson announced his intention to step down from the Board and will leave the business by the end of December 2018.

The Board employs the services of executive search firms as part of the external search process to identify potential Board and senior management candidates. In preparation for the Group Finance Director's succession, the Committee considered the credentials of a number of providers before recommending the appointment of the search firm considered best placed to meet the brief. The firm chosen, Korn Ferry, was considered to be independent of, and has no other links with, the Company or its directors in connection with the brief.

A profile was prepared setting out the desirable experience, background and personal characteristics of the preferred candidate and Korn Ferry prepared a long list of candidates that was shortlisted to seven. The shortlisted candidates were interviewed by the Group Chief Executive and other directors. The Committee discussed two potential candidates further. A preferred candidate was identified and it was proposed that the preferred candidate should be recommended to the Board for further consideration. Detailed external references were taken on the preferred candidate.

The recommendation, which the Board approved, was that Karen Witts should be appointed as Group CFO. As announced on 1 November 2018, Karen will join the Company on 8 April 2019. In the interim, Palmer Brown, Chief Corporate Investment & Risk Officer, Compass Group North America, will act as Interim CFO (but will not be a member of the Board) until Karen Witts is formally appointed. We look forward to Karen joining us in 2019.

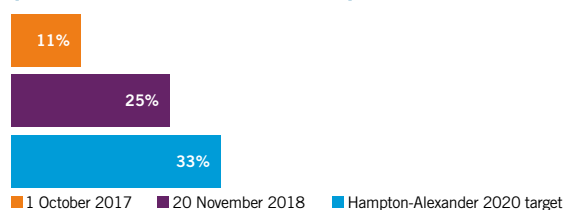
#### BOARD DIVERSITY

Following the appointment of Karen Witts as the Group CFO from 2019, the gender balance of the Board will meet the 33% target of female representation recommended by Lord Davies which, coupled with the breadth of experience, backgrounds, education, cultures and expertise of our directors, means that we will have a truly diverse Board.

#### EXECUTIVE BOARD

In addition to the appointments made to the Board, the membership of the Executive Board was further strengthened by the appointment of five new members with diverse experience and backgrounds and I am pleased to report that the percentage of women on the Executive Board has increased from 11% at the start of the year under review to 25% at the date of my statement. Following Karen Witts' appointment in 2019, this will increase to 33%, which is in line with the Hampton-Alexander target of 33% women in leadership teams by 2020.

#### HAMPTON-ALEXANDER 2020 TARGET (% FEMALE IN LEADERSHIP)



#### THE YEAR AHEAD

We have a strong Board and executive management with a broad range of experience which has driven the Company's success. The Committee and the Board believe that our directors are well qualified to further advance the interests of the Company's shareholders, as well as its people, clients and consumers, partners and the communities in which we work.

To underpin our work to date, in the coming year we will continue to focus on our strategy led succession planning agenda.

**Paul Walsh**  
Chairman of the Nomination Committee

20 November 2018

## THE NOMINATION COMMITTEE COMPOSITION

The Nomination Committee comprises Paul Walsh, Chairman; Dominic Blakemore, Group CEO; and all of the non-executive directors in office at the date of this Report.

The Committee had four scheduled meetings and members' attendance at meetings held during the year is set out in the table below.

### MEETING ATTENDANCE

MEMBER	MEMBER NUMBER OF SINCE	MAXIMUM NUMBER OF MEETINGS <sup>1</sup>	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
Paul Walsh	Jan 2014	4	4	100%
Carol Arrowsmith	June 2014	4	4	100%
John Bason	June 2011	4	4	100%
Dominic Blakemore <sup>2</sup>	Jan 2018	3	3	100%
Stefan Bomhard <sup>3</sup>	May 2016	4	3	75%
John Bryant <sup>4</sup>	Sep 2018	1	1	100%
Richard Cousins <sup>5</sup>	Nov 2008	1	1	100%
Anne-Francoise Nesmes <sup>6</sup>	July 2018	1	1	100%
Don Robert <sup>7</sup>	May 2009	3	2	67%
Nelson Silva	July 2015	4	4	100%
Ireena Vittal	July 2015	4	4	100%

1. The maximum number of meetings that a member was eligible to attend.
2. Appointed Group CEO on 1 January 2018.
3. Mr Bomhard was unable to attend the September meeting due to an unavoidable prior commitment, but provided his feedback on the papers in advance.
4. Appointed to the Board and its committees on 1 September 2018.
5. Ceased to be a director on 31 December 2017.
6. Appointed to the Board and its committees on 1 July 2018.
7. Stepped down from the Board and its committees on 31 May 2018. Mr Robert was unable to attend the March 2018 meeting due to a family illness.

### OBJECTIVES

The Nomination Committee's key objective is to review and monitor the Board's composition and to ensure that the Board comprises individuals with the right blend of skills, knowledge and experience to maintain a high degree of effectiveness in discharging its responsibilities.

### RESPONSIBILITIES

The Nomination Committee reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board with regard to any changes considered necessary in the identification and nomination of new directors, the reappointment of existing directors and appointment of members to the Board's committees. It also assesses the roles of the existing directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity. The Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace and advises the Board on succession planning for executive director appointments, although the Board itself is responsible for succession generally.

The Nomination Committee has standing items that it considers regularly under its terms of reference; for example, the Committee reviews its own terms of reference annually, or as required, to reflect changes to the Code or as a result of changes in regulations or best practice.

### SUCCESSION PLANNING AND DIVERSITY

We are a people business. Our strength comes from an inclusive and welcoming environment, where we recognise that the experiences and perspectives which make us unique come together in our shared values and vision. We strongly believe that the more our people reflect the diversity of our clients and consumers, the better equipped we are to service their needs. At Board level, our approach to the appointment of new directors and senior executives reflects our Guiding Principles to develop people and value diversity, to ensure the optimal balance of experience and backgrounds on our Board and committees. Prior to making an appointment, the Nomination Committee evaluates the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, prepares a description of the role and capabilities required, with a view to ensuring that the best placed individual for the role is recommended to the Board for appointment. As a Board we promote an environment which is supportive of all individuals from diverse backgrounds and thus in identifying suitable candidates, the Nomination Committee normally:

- uses open advertising or the services of external advisors to facilitate the search
- considers candidates from different genders and a wide range of backgrounds such as ethnicity, race, religion and education
- considers candidates on merit and against objective criteria, ensuring that appointees have sufficient time to devote to the position, in light of other potentially significant commitments

Our appointments in 2018 highlight how well this process works and has led to the introduction of two new Board members who complement our existing Board by bringing new perspectives. This blend of skills, knowledge and experience which comes from diverse backgrounds will continue to be of paramount importance in ensuring that the right candidates are chosen to join our Board and for senior executive roles.



# Reward to support corporate success



## ANNUAL STATEMENT

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for the financial year ended 30 September 2018 which is split into:

- (i) this Annual Statement with an 'at a glance' of the remuneration decisions made this year
- (ii) the Governance Summary
- (iii) the 2018-2021 Remuneration Policy (the Policy) (the Policy Period)
- (iv) the Annual Remuneration Report on the implementation of the Policy in the year ended 30 September 2018 and proposed implementation for the next financial year

The financial year 2017-2018 has been a very busy period for the Remuneration Committee and I am grateful for the dedication of the members and of the Compass team who have supported us. In addition to the conclusion of our triennial Policy review, the normal cycle of setting performance targets for the year ahead and measuring their outcomes, we have dealt with the remuneration consequences of the tragic death of Richard Cousins, our long-serving Group Chief Executive (Group CEO), and the accelerated succession of Dominic Blakemore to the role. Towards the end of the year, we reviewed the terms of departure for Johnny Thomson, Group Finance Director, and latterly the appointment of Karen Witts as his successor. I am pleased to be able to report to shareholders that each of these changes has been carefully developed to be balanced and wholly within the standard provisions of our Policy.

### REMUNERATION POLICY AND SHAREHOLDER ENGAGEMENT

In 2017, we reviewed our Remuneration Policy, taking account of the significant change to the remuneration landscape and the evolution of best practice, incorporating many features encouraged by shareholders. We also undertook the review with the intention that it would strengthen our future ambitions and be capable of supporting our talented leaders and their future successors.

In formulating the Policy, we consulted extensively with key shareholders and their representative bodies, taking on board their feedback in the final design and, at last year's AGM, we were delighted to receive a 95.90% vote in favour of our Remuneration Policy and 96.58% in favour of our Remuneration Report. I would like to thank our shareholders and their representative bodies for their engagement, constructive feedback and subsequent voting support.

### DIRECTOR CHANGES

We began the year preparing for the retirement of our Group CEO, Richard Cousins, and the succession of Dominic Blakemore as Group CEO on 1 April 2018. Following Mr Cousins' death, Mr Blakemore's promotion was accelerated to take effect from 1 January 2018 and his previously disclosed terms were implemented from that date.

Details of the remuneration terms for Mr Blakemore are completely aligned to our approved Policy and as originally detailed on page 70 in the 2017 Annual Report. Mr Blakemore's annual salary as Deputy Group CEO of £750,000 was increased to a starting annual salary of £900,000 as Group CEO with effect from 1 January 2018. In accordance with our Policy and our commitment last year, we have reviewed his salary in light of excellent leadership of the business and the delivery of another year of strong results. Accordingly, we intend to increase his salary to £975,000 with effect from 1 January 2019. Any adjustments thereafter will be consistent with the range applicable to the wider workforce. The base salary remains below that previously provided to Mr Cousins and the relevant market for his role (based on the FTSE 50 excluding the financial service sector).

The details of remuneration for Richard Cousins as originally disclosed on 21 September 2017 were subsequently amended to reflect the actual and curtailed period of his employment and are set out on page 84.

Johnny Thomson will step down from the Board on 31 December 2018. His leaving terms are within the approved Policy, consisting of remuneration until the end of his employment and the forfeiture of extant LTIP awards which would have vested following his departure. Mr Thomson will not be eligible for an annual bonus payment in respect of 2018-2019. These terms are set out in more detail on page 91.

Following the end of the financial year, on 11 October 2018 we announced the appointment of Karen Witts as our Group Chief Financial Officer (Group CFO). Karen will join the Board on 8 April 2019 and details of her appointment arrangements are set out on page 91.

## REWARDING PERFORMANCE

Compass has delivered a strong performance against a backdrop of pressures from the tightening labour market in many parts of the Group. We have remained focused on organic growth and disciplined in generating efficiencies, supported by our Management and Performance (MAP) framework. North America is once again the major growth engine for the Group, but we are also seeing an improving environment in Rest of World. There continue to be ongoing challenges in some parts of Europe with improvements starting to be realised following actions taken. For the annual bonus, we have determined the outcomes of Group and North American performance as 95.9% and 99.7% respectively. More details are set out in the Remuneration Report on pages 85 and 86.

For the Long Term Incentive Plan, the TSR element vested in full because Compass ranked 11<sup>th</sup> against other FTSE 100 companies (excluding the financial service sector) over the performance period. The targets we set based on growth in ROCE and cumulative AFCF were demanding and were satisfied with 84.9% and 100% vesting respectively. The Committee considers this outcome to be a fair and balanced result. This has led to an overall outcome for the LTIP of 95% of the maximum opportunity.

Salary adjustments for executive directors are aligned with increases paid for other senior executives within the Group and specifically to employees within their region. Accordingly, Gary Green will receive a salary increase of 3% which will take effect from 1 January 2019.

## OTHER MATTERS

Overall, the changes we made last year are working well and have successfully supported the executive director changes made over the course of the year. Shareholders should note that the Board has proposed a resolution in respect of non-executive director fees. Whilst this is not a matter for the Remuneration Committee, as these fees must be included within the Remuneration Report, it is pertinent to draw shareholder attention to the proposal. Under the current Policy, the annual aggregate fees payable to a non-executive director are subject to a cap of £125,000. The Board believes that a non-executive director who performs more than one non-executive role for the Company should be appropriately remunerated and receive the full fee payable for each of the roles performed. The Board is therefore seeking shareholder approval for the Company to pay each of its non-executive directors the full fee payable for each of the roles they perform for the Company without reference to the annual cap. The total fees for the non-executive directors will continue to be within the limits set out in the Company's Articles of Association. More details of the proposed resolution can be found in the Notice of Meeting on pages 193 and 195.

## CONCLUSION

The voting outcome at the 2018 AGM in respect of the Annual Remuneration Report for the year ended 30 September 2017 is set out on page 93.

I look forward to welcoming you and receiving your support at the upcoming AGM.



**Carol Arrowsmith**  
Chairman of the Remuneration Committee

20 November 2018

# AT A GLANCE

## REMUNERATION IN 2017-2018

### MEASURING PERFORMANCE

MEASURING PERFORMANCE	STRATEGIC KPI	BONUS WEIGHTING <sup>1</sup>	LTIP WEIGHTING <sup>1</sup>
Growing and retaining our customer base and driving volumes	Organic Revenue Growth (ORG)	25%	–
Delivering profit from our operations	Profit Before Interest & Tax (PBIT)	55%	–
Turning profit into cash	Adjusted Free Cash Flow (AFCF)	15%	33.3%
Delivery against investments	Return on Capital Employed (ROCE)	–	33.3%
Effectiveness of our safety culture	Lost Time Incident Frequency Rate (LTIFR)	2.5%	–
Providing safe food and of the right quality	Food Safety Incident Rate (FSIR)	2.5%	–
Delivering returns for shareholders	Total Shareholder Return (TSR)	–	33.3%

1. Based on Group performance measures and LTIP based on the Plan vesting in year.

### REMUNERATION OUTCOMES AS AT 30 SEPTEMBER 2018

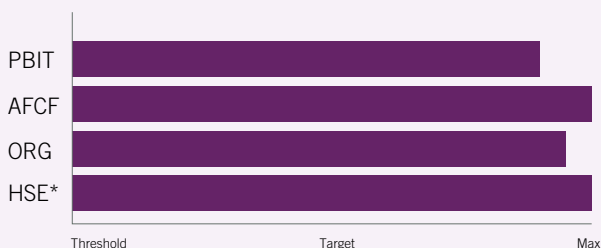
ELEMENT	DOMINIC BLAKEMORE	GARY GREEN	JOHNNY THOMSON
Base salary at 30 September 2018	£900,000	US\$1,399,590	£658,000
Pension (% of base salary)	20%	35%	35%
Benefits	£34,000	US\$74,000	£32,000
Annual bonus (% of max)	95.9%	99.7%	95.9%
LTIP (% of max)	95%	95%	95%

### ANNUAL BONUS OUTCOME

The maximum opportunity for annual bonus is 200% of base salary for the Group CEO and 150% of base salary for other executive directors with bonus deferral of one third of bonus into shares for executives who have not achieved the pro rata share ownership guideline, with all other payouts in cash. All cash bonus and Deferred Bonus Shares are subject to malus and clawback. Performance measures and weightings are unchanged from the previous year.

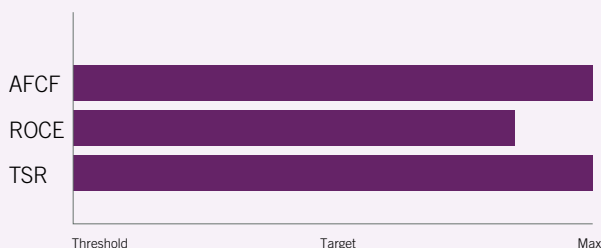
The results below represent the Group's results. Gary Green has regional performance outcomes as shown on page 86.

### GROUP RESULTS



### LTIP OUTCOME

The maximum opportunity at the time of grant of the LTIP which vested in respect of the three year performance period which ended on 30 September 2018 was 250% of base salary for the Group CEO and 200% for other executive directors. The results below represent the Group's results and are applicable to all executive directors.



\* Health Safety and Environment (HSE) is the combined outcome of the LTIFR and FSIR.

- Group payout at 95.9% of maximum bonus
- North America payout at 99.7% of maximum bonus
- subject to malus and clawback
- as all current executive directors have met share ownership guidelines, bonus will be paid in cash

- performance measured over period 1 October 2015 to 30 September 2018
- payout of 95% of maximum performance
- two year holding period applies to vested shares
- subject to malus and clawback

### SHARE OWNERSHIP GUIDELINES

The share ownership guidelines were increased for all executive directors following the 2018 AGM to 300% of base salary for the Group CEO and 250% of base salary for other executive directors which is to be achieved over a five year period.

## GOVERNANCE SUMMARY

### THE REMUNERATION COMMITTEE

The Board sets the Company's Remuneration Policy and the Committee is responsible, within the authority delegated by the Board, for determining specific remuneration packages and the terms and conditions of employment for the members of the Executive Board, which comprises the executive directors and other senior executives. The Committee ensures that the members of the Executive Board are provided with the appropriate incentives to enhance the Group's performance and to reward their personal contribution to the success of the business. The Committee reviews the remuneration arrangements for Group employees whose salaries exceed a specified level and administers the Company's share incentive plans. The Committee has regard for the wider remuneration philosophy of the organisation when considering executives' packages. The Committee also determines the Chairman's remuneration, although the Board itself determines the level of fees paid to the non-executive directors. No directors are involved in determining their own remuneration. The Committee maintains an active dialogue with shareholder representatives and its full terms of reference are set out on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The Committee consists entirely of independent non-executive directors, as defined in the UK Corporate Governance Code.

### COMMITTEE COMPOSITION

The Committee comprises Carol Arrowsmith, Chairman, and all the other non-executive directors in office at the date of this Directors' Remuneration Report (DRR). The Remuneration Committee met five times during the year. Members' attendance at the meetings held during the year is set out in the table below.

### MEETING ATTENDANCE

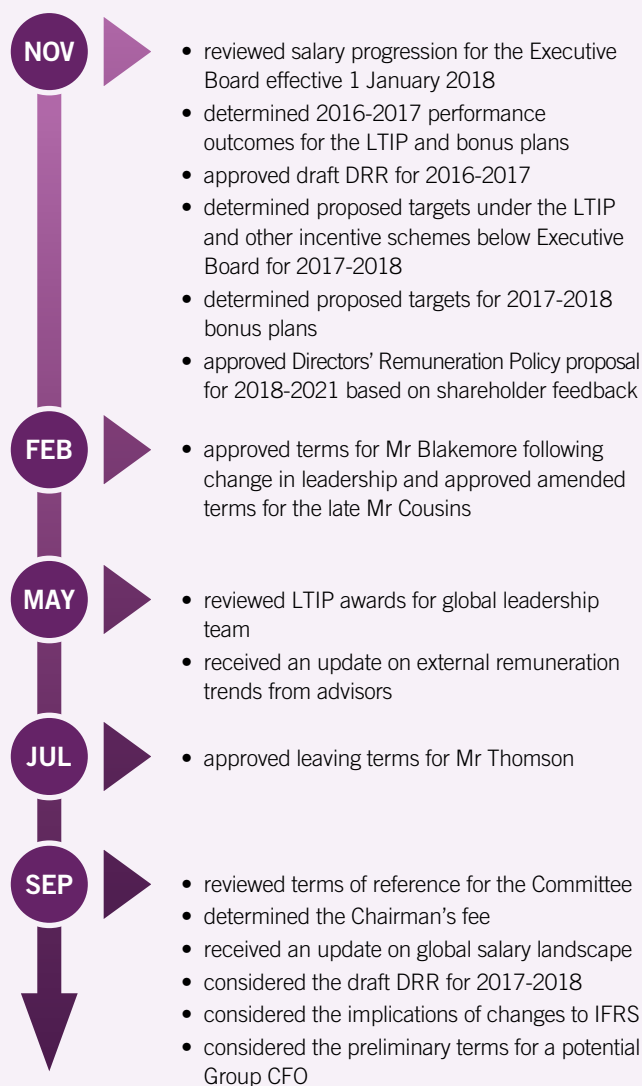
MEMBER	MEMBER SINCE	MAXIMUM NUMBER OF MEETINGS <sup>1</sup>	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
Carol Arrowsmith	June 2014	5	5	100%
John Bason	June 2011	5	5	100%
Stefan Bomhard <sup>2</sup>	May 2016	5	4	80%
John Bryant <sup>3</sup>	Sept 2018	1	1	100%
Anne-Francoise Nesmes <sup>4</sup>	July 2018	2	2	100%
Don Robert <sup>5</sup>	May 2009	3	3	100%
Nelson Silva	July 2015	5	5	100%
Ireena Vittal	July 2015	5	5	100%

1. The maximum number of meetings that a member was eligible to attend.
2. Mr Bomhard was unable to attend the September meeting due to an unavoidable prior commitment, but provided his feedback on the papers in advance.
3. Appointed to the Board and its committees on 1 September 2018.
4. Appointed to the Board and its committees on 1 July 2018.
5. Stepped down from the Board and its committees on 31 May 2018.

Biographical details of the current members of the Committee are set out on pages 50 and 51. Alison Yapp, the Group General Counsel and Company Secretary, who succeeded Mark White on 1 October 2018, acts as the Secretary to the Committee. Robin Mills, Group HR Director, and Lorna Benton, Group Reward & Diversity Director, attend Committee meetings by invitation to advise the Committee on Group policies and practice. Details of advisors to the Committee can be found on page 93. The Chairman of the Remuneration Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

### ACTIVITY DURING THE YEAR

The key activities of the Committee during the year ended 30 September 2018 are set out below. In addition, the Committee also reviews performance under Group wide share plans and approves any discretionary matters for individuals below executive director level and considers other governance matters on a regular basis.



## REMUNERATION POLICY

### STRUCTURE AND CONTENT OF THE DIRECTORS' REMUNERATION REPORT (DRR)

This DRR has been prepared on behalf of the Board by the Committee in accordance with the requirements of the CA 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 Regulations). The policy on remuneration of directors (the Policy) is set out on pages 75 to 81. The next two sections of the DRR cover the following matters:

- the Company's Remuneration Policy effective from 8 February 2018 for the following three years thereafter, including each of the components of directors' remuneration (the Policy Report) including:
  - how decisions on directors' remuneration will be made and the philosophy and strategy behind those decisions
  - the structure of remuneration packages for existing, departing and new directors
  - the impact of key performance measures on the potential value of remuneration
  - key contractual terms of existing and new directors
- how the Policy approved by shareholders at the 2018 AGM was implemented in the year ended 30 September 2018 (the Annual Remuneration Report), the proposed approval of payment to the Company's non-executive directors without reference to the £125,000 fee cap and how the Policy will be implemented in the next financial year

Auditable disclosures are the:

- directors' single total figure of remuneration (page 84)
- long term incentive awards (page 87)
- extant equity incentive awards held by executive directors (page 90)
- director changes during the year (page 90)
- non-executive directors' remuneration (page 92)
- directors' interests (page 92)

This DRR sets out our Remuneration Policy. We consulted with shareholders extensively during 2017 when the Policy was being formulated for shareholders' approval. This Policy applied with effect from 8 February 2018 when it was approved by shareholders at the Company's Annual General Meeting and, save in respect of the proposed approval of the payment to the Company's non-executive directors without reference to the £125,000 annual fee cap will, in all other respects, continue to apply until 2021.

For unvested share awards only, the provisions of the Remuneration Policy approved by shareholders in 2015 will continue to apply until all long term incentive awards granted under that Policy have vested or lapsed.

The Committee reviewed the Company's remuneration philosophy and structure to ensure that remuneration supports the Company's strategic objectives, is in line with best practice and can fairly reward individuals for the contribution that they make to the business. In doing this, we have regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

Our Policy is designed to maintain stability in the executive team and to ensure appropriate positioning against our comparator groups. We believe our approach to be balanced and that it will stand the test of time.

The Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the Executive Board.

Remuneration links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The Policy is designed to incentivise executives to meet the Company's key objectives. A significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's key business drivers which can be measured, understood and accepted by both executives and shareholders.

The Committee considers that the targets set for the different components of performance related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges which the Group faces as well as complying with the provisions of the Code.

The Committee has the discretion to amend certain aspects of the Policy in exceptional circumstances when considered to be in the best interests of shareholders. Should such discretion be used, this will be explained and reported in the DRR for the following year.

## REMUNERATION POLICY

### COMPONENT PARTS OF THE REMUNERATION PACKAGE

The key components of executive directors' remuneration for the Policy Period are summarised below:

COMPONENT AND LINK TO STRATEGY	OPERATION OF COMPONENT	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>BASE SALARY</b></p> <p>Reflects the individual's role, experience and contribution.</p> <p>Set at levels to attract and retain individuals of the calibre required to lead the business.</p>	<p>Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.</p>	<p>Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce.</p> <p>Increases may be above this when an executive director progresses in the role; gains substantially in experience; there is a significant increase in the scale of the role; or was appointed on a salary below the market median. These will be appropriately explained in the relevant year's annual report.</p>	<p>None.</p>
<p><b>BENEFITS AND PENSION</b></p> <p>To provide a competitive level of benefits.</p>	<p>Benefits include, but are not limited to, healthcare insurance for executive directors and their dependants, limited financial advice, life assurance and car benefit.</p> <p>These are offered to executive directors as part of a competitive remuneration package.</p> <p>Executive directors are invited to participate in the Company's defined contribution pension scheme or to take a cash allowance in lieu of pension entitlement.</p>	<p>The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.</p> <p>For the Company's pension cash allowance (or pension contribution as appropriate), from 8 February 2018 the annual maximum will be 20% of base salary for new UK appointees and 35% phasing down to 20% of base salary for current UK based executive directors. The reduction will take place over a three year period commencing in January 2019. Dominic Blakemore voluntarily elected to adopt the 20% rate of contribution from 1 January 2018. The annual maximum cash allowance for Gary Green remains at 35% of base salary.</p>	<p>None.</p>
<p><b>ANNUAL BONUS</b></p> <p>Incentivise and reward the achievement of stretching one year key performance targets set by the Committee at the start of each financial year.</p>	<p>The annual bonus is earned by the achievement of one year performance targets set by the Committee at the start of each financial year and is delivered in cash or a combination of cash and Deferred Bonus Shares.</p> <p>The Committee retains the discretion to adjust the bonus outcomes to ensure that they reflect underlying business performance.</p> <p>The annual bonus is subject to malus and/or clawback in the event of discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition or where the action or conduct of a participant amounts to fraud or serious misconduct or has a detrimental impact on the reputation of the Group.</p>	<p>The target award for the Group CEO is 100% of base salary, with a further maximum of 100% for enhanced performance. No bonus is payable for below threshold performance but increases on a straight line basis to target payout and from target to maximum.</p> <p>The target award for other executive directors is 75% of base salary, with a further maximum of 75% of base salary available for enhanced performance. No bonus is payable for below threshold performance but increases on a straight line basis to target payout and from target to maximum.</p>	<p>Performance is measured over the financial year. Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's business strategy and shareholder value.</p> <p>The performance measures and their percentage weightings may vary, depending upon a director's area of responsibility.</p> <p>Performance measures may include, but are not limited to, profit, revenue, margin and cash flow. Strategic KPIs may also be chosen. However, the overall metrics would always be substantially weighted to financial measures.</p> <p>Annual bonus targets are set with reference to internal budgets and analyst consensus forecasts, with maximum payout requiring performance well ahead of budget.</p> <p>A bonus underpin may be operated so that the bonus outcome is reduced if underpin performance is not met.</p> <p>Bonus will be deferred when share ownership guidelines have not been met, usually with a minimum level of deferral of one third of the bonus earned and typically deferred for a period of three years.</p> <p>Dividend equivalents may be accrued on Deferred Bonus Shares.</p> <p>Details of the specific measures and targets applying to each element of the bonus for the year being reported on are shown in the Annual Remuneration Report on page 86.</p>

COMPONENT AND LINK TO STRATEGY	OPERATION OF COMPONENT	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>LONG TERM INCENTIVE PLAN (LTIP)</b> Incentivise and reward executive directors for the delivery of longer term financial performance and shareholder value. Share-based to provide alignment with shareholder interests.</p> <p><b>RETURN ON CAPITAL EMPLOYED (ROCE)</b> ROCE supports the strategic focus on growth and margin through ensuring that cash is reinvested to generate strong returns with capital discipline.</p> <p><b>ADJUSTED FREE CASH FLOW (AFCF)</b> The generation of cash is fundamental to the ongoing success of the Group and the use of AFCF as an LTIP performance measure directly aligns to this.</p> <p><b>RELATIVE TOTAL SHAREHOLDER RETURN (TSR)</b> The third performance measure of TSR provides direct alignment between the interests of executive directors and shareholders.</p>	<p>An annual conditional award of ordinary shares which may be earned after a single three year performance period, based on the achievement of stretching performance conditions. Executive directors normally hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years post vesting.</p> <p>Calculations of the achievement of the targets are independently performed and are approved by the Committee. To ensure continued alignment between executive directors' and shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory.</p> <p>Dividend equivalents may be accrued on the shares earned from LTIP awards.</p> <p>Malus and clawback rules operate in respect of the LTIP. The Committee may decide at any time before an award vests, or for a period of three years after an award vests, that any participant will be subject to malus and/or clawback in the event of discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition, or where the action or conduct of a participant amounts to fraud or serious misconduct or has a detrimental impact on the reputation of the Group.</p> <p>Awards are delivered in shares. However, the rules contain excepted provisions to deliver value in cash if necessary (for example, due to securities laws), subject to the discretion of the Committee, determined at any time up to their release.</p> <p>In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time apportioned basis.</p>	<p>Awards may be made at the following levels of salary:</p> <ul style="list-style-type: none"> <li>• Group Chief Executive: 300%</li> <li>• Other executive directors: 250%</li> </ul> <p>In exceptional circumstances, such as the appointment of a new executive director, this could be increased to 400% of base salary. Any use of this exceptional limit would be appropriately explained.</p> <p>For performance measures, other than TSR, 0% of the award vests for below threshold performance, increasing to 50% vesting on a straight line basis for achievement of on target performance, increasing to maximum vesting on a straight line basis for achievement of maximum performance.</p> <p>The element of an award based on relative TSR will vest in full for top quartile performance achievement and 25% of that element of the award will vest if performance is at the median. Awards will vest on a straight line basis between median and top quartile performance achievement. No shares will be released for this element of an award if the Company's TSR performance is below the median.</p>	<p>Performance is measured over three financial years.</p> <p>Performance measures are AFCF, ROCE and TSR, with each applying 40%, 40% and 20% respectively.</p> <p>Relative TSR is measured relative to the companies comprising the TSR comparator group at the start of the period.</p> <p>LTIP targets are set with reference to internal budgets and analysts' consensus forecasts, with maximum payment requiring performance well ahead of budget.</p> <p>Details of the targets for LTIP awards vesting and granted are set out as required in the Annual Remuneration Report on pages 88 and 89.</p> <p>For awards made prior to 8 February 2018, the awards were based on AFCF over the three year performance period, growth in ROCE and the Company's TSR over the performance period relative to the companies comprising the TSR comparator group at the start of the relevant period. Each measure being equivalent to one third of the total award.</p>

## NOTES TO THE REMUNERATION POLICY TABLE

The Committee may make minor amendments to the Policy (for example for tax, exchange control, regulatory or administrative purposes) without obtaining shareholder approval.

The Remuneration Policy for executive directors differs from that of other members of the Executive Board solely in respect of quantum of the various components and remuneration. Executive directors have a greater proportion of their total remuneration package at risk than other employees; however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

## REMUNERATION POLICY CONTINUED

### CLOSED INCENTIVE PLANS

The LTIP described in the table on page 77 (known as The Compass Group PLC Long Term Incentive Plan 2018) is the primary form of equity incentive for executive directors. At the date of this DRR, there are outstanding awards covering 694,002 shares which have been made to executive directors under the previous long term incentive plan, being The Compass Group PLC Long Term Incentive Plan 2010.

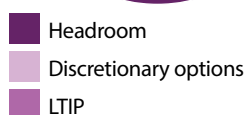
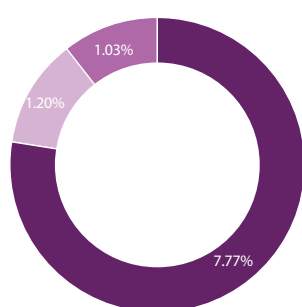
### DILUTION LIMITS

All of the Company's equity based incentive plans incorporate the current Investment Association Share Capital Management Guidelines (IA Guidelines) on headroom which provide that overall dilution under all plans should not exceed 10% over a 10 year period in relation to the Company's issued share capital (or reissue of treasury shares), with a further limitation of 5% in any 10 year period for executive plans.

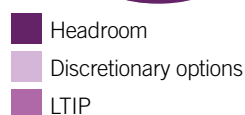
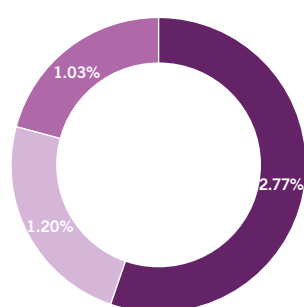
The Committee monitors the position regularly and prior to the making of any award, ensures that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. On 30 September 2018, the Company held 5,671,445 treasury shares. During the financial year ended 30 September 2018, 2,556,731 treasury shares were utilised for satisfying the Company's obligations under the Group's employee equity incentive schemes. As at 30 September 2018, the Company's headroom position, which remains within the current IA Guidelines, was as shown in the charts below:

### HEADROOM AS AT 30 SEPTEMBER 2018

#### 10% IN 10 YEARS



#### 5% IN 10 YEARS



### SHARE OWNERSHIP GUIDELINES

In order that their interests are linked with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company.

As a result of the Remuneration Policy review, and to bring the share ownership guidelines (the guidelines) into line with prevailing best practice, and as part of a rebalanced overall remuneration package, with effect from 8 February 2018, the requirement for the Group CEO was increased to a personal shareholding of 300% of base salary and 250% for all other executive directors. No changes were made to the level of shareholding required for non-executive directors which remains as a personal shareholding equal to the value of their base fee.

The guideline shareholding may be achieved by executive directors retaining shares received as a result of participating in the Company's share plans. The guidelines specifically exclude the need to make a personal investment should awards not vest. Non-executive directors are generally expected to purchase shares equating to a minimum value of one third of their net of tax fee each year until the guideline is met. The required level of executive shareholding is expected to be achieved within a five year period, commencing from the date of appointment or date of change of LTIP opportunity, whichever is the later.

Directors' shareholdings are reviewed annually by the Committee to ensure that directors are on course to achieve their guideline shareholding within the period required. However, if it becomes apparent to the Committee that the guidelines are unlikely to be met within the timeframe, then the Committee will discuss with the director a plan to ensure that they are met over an acceptable timeframe. The granting of future LTIP awards to an executive director will be conditional upon reaching the appropriate threshold in the required timeframe. Where executive directors have not achieved the minimum guideline effective for the period, one third of their cash bonus will be deferred into shares for three years.

Details of the interests of directors in shares and equity incentives are set out on page 92, together with the extent to which each of the directors has complied with the current guidelines as at 30 September 2018.

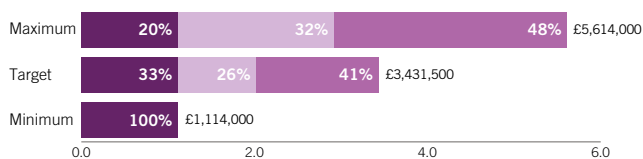


## ILLUSTRATIONS OF APPLICATION OF THE REMUNERATION POLICY

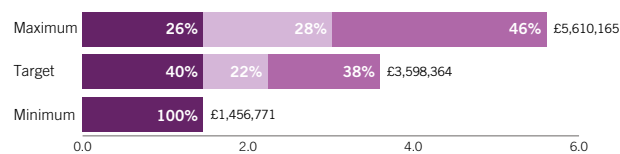
The graphs below show an estimate of the remuneration that could be received by executive directors in office at 1 October 2018 under the Policy set out in this DRR for 2018-2019. Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each director under the Policy.

Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP.

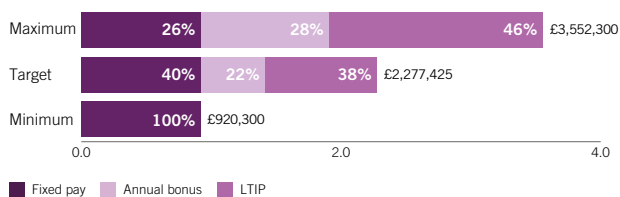
### DOMINIC BLAKEMORE ILLUSTRATION OF PACKAGE (£M)



### GARY GREEN<sup>1</sup> ILLUSTRATION OF PACKAGE (£M)



### JOHNNY THOMSON ILLUSTRATION OF PACKAGE (£M)



The scenarios in the above graphs are defined as follows:

#### FIXED ELEMENTS OF REMUNERATION

- fixed pay includes annual base salary, pension and benefits
- annual base salary as at 1 October 2018
- value of benefits as noted in the single figure table on page 84
- pension cash allowance as at 1 October 2018

	MINIMUM PERFORMANCE	TARGET PERFORMANCE	MAXIMUM PERFORMANCE
<b>ANNUAL BONUS</b> (payout as a % maximum opportunity)	0%	50%	100%
<b>LONG TERM INCENTIVE PLAN</b> (vesting as a % maximum opportunity)	0%	52.5% <sup>2</sup>	100%

1. Gary Green is paid in US dollars. For reporting purposes, this pay is converted into sterling at an exchange rate of US\$1.3479/£1 as used elsewhere in the Annual Report.
2. Based on ACF and ROCE performance measures vesting at 50% of maximum and the TSR measure paying out at 62.5% of maximum (midway between threshold and maximum payout).

No share price growth or dividend accrual has been incorporated in the values relating to LTIP.

## REMUNERATION POLICY CONTINUED

### APPROACH TO RECRUITMENT REMUNERATION

The Committee will apply the same Remuneration Policy during the Policy Period as that which applies to existing executive directors when considering the recruitment of a new executive director in respect of most elements of remuneration, that is: base salary, pension and benefits, and short and long term incentives. New UK executive directors will, however, be provided with a pension cash allowance (or contribution) of 20% of base salary in line with the level of pension provided to Compass UK management. It is envisaged that the maximum level of variable remuneration which may be granted to a new executive director would be within plan rules and identical to the Policy maximum opportunity for existing executive directors and the Group CEO. However, in exceptional circumstances such as the recruitment of a new executive director, a maximum LTIP award of up to 400% of base salary may be awarded. Additionally, to support the successful building up of a shareholding in compliance with the share ownership guidelines, executives will also be required to have one third of their annual bonus deferred into shares when the share ownership guideline is not achieved. The required level of shareholding is expected to be achieved within a five year period in accordance with our share ownership guidelines.

Other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. The policy for the recruitment of executive directors during the Policy Period includes the facility to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, and the additional provision of benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing, commercial value and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares. However, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the previous awards. Where an executive director is appointed from either within the Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

The policy on the recruitment of new non-executive directors during the Policy Period would be to apply the same remuneration elements as for the existing non-executive directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances.

The Committee will include in annual reports details of the implementation of the Policy as utilised during the Policy Period in respect of any such recruitment to the Board.

### EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

It is the Company's policy that executive directors have rolling service contracts.

The current executive directors' service contracts contain the key terms shown in the table below:

#### SERVICE CONTRACT KEY TERMS BY PROVISION

PROVISION	DETAILED TERMS
<b>REMUNERATION</b>	<ul style="list-style-type: none"> <li>• base salary, pension and benefits</li> <li>• car benefit</li> <li>• family private health insurance</li> <li>• life assurance</li> <li>• financial planning advice</li> <li>• 25 days' paid annual leave</li> <li>• participation in the annual bonus plan, subject to plan rules</li> <li>• participation in the LTIP, subject to plan rules</li> </ul>
<b>CHANGE OF CONTROL NOTICE PERIOD</b>	<ul style="list-style-type: none"> <li>• no special contractual provisions apply in the event of a change of control</li> <li>• 12 months' notice from the Company</li> <li>• 6 months' notice from the director (12 months from Dominic Blakemore)</li> </ul>
<b>TERMINATION PAYMENT</b>	<p>Payment in lieu of notice equal to:</p> <ul style="list-style-type: none"> <li>• 12 months' base salary</li> <li>• pension supplement</li> <li>• 10% of base salary in respect of benefits</li> </ul> <p>All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments will either reduce, or cease completely, in the event that the director gains new employment/remuneration</p>
<b>RESTRICTIVE COVENANTS</b>	<ul style="list-style-type: none"> <li>• during employment and for 12 months after leaving</li> </ul>

The historic policy on the payment of bonus on termination, which was in place prior to June 2008, was the provision of a payment, at par or target, of bonus in respect of the notice period, where the Company exercised its right to make a payment in lieu of notice. Messrs Green and Cousins' service contract are based on this historic policy. When introducing the revised policy in June 2008 and after careful consideration, the Committee concluded that it was not in shareholders' interests to migrate such contracts onto the amended policy. Messrs Blakemore and Thomson's service contracts fully comply with the policy in effect from June 2008. All executive directors' service contracts impose a clear obligation to mitigate such payment should a departing executive director take on new employment or receive alternative remuneration.

Messrs Green and Cousins' service contracts were entered into before 27 June 2012 and have not been modified or renewed on or after that date. As such, remuneration payments or payments for loss of office that are required to be made under them are not required to be consistent with the current Policy. Messrs Blakemore and Thomson's service contracts fully comply with the current Policy.

Karen Witts, who will join the Board as Group CFO on 8 April 2019 will also have a service contract that fully complies with the current Policy.

Whilst unvested awards will normally lapse, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date and be satisfied or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise.

Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

Service contracts outline the components of remuneration paid to the individual but do not prescribe how remuneration levels may be adjusted from year to year.

The senior executives who are members of the Executive Board, and who are referred to in note 3 to the consolidated financial statements on page 127, have similar service contracts.

The executive directors in office at the date of this DRR have served on the Board for the periods shown below and have service agreements dated as follows:

EXECUTIVE DIRECTOR	DATE OF CONTRACT	LENGTH OF BOARD SERVICE AS AT 30 SEPT 2018
Dominic Blakemore	12 Dec 2011 7 Nov 2017*	6 years, 7 months
Gary Green	27 Nov 2007	11 years, 9 months
Johnny Thomson	23 Sept 2015	2 years, 9 months

\* Appointment was formally revised from 1 October 2017.

Karen Witts will be appointed to the Board as Group CFO with effect from 8 April 2019.

## CHAIRMAN

The fee for the Chairman is reviewed annually by the Committee with any increase taking effect on 1 October. The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business and commuting travel will be reimbursed. The Chairman's appointment is terminable without compensation on six months' notice from either side. Following a market review and consideration by the Committee, from 1 October 2018 the Chairman's fee was increased from £540,000 to £560,000 per annum.

The Chairman has a letter of engagement dated 19 June 2013 in respect of his original appointment as a non-executive director for a period of three years from 1 January 2014. Mr Walsh became Chairman at the conclusion of the Company's AGM on 6 February 2014. Mr Walsh completed his first three year term as Chairman on 6 February 2017. This was extended on 21 September 2016 for a further three year term.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees for the non-executive directors are reviewed and determined by the Board each year to reflect appropriate market conditions and may be increased if considered appropriate.

The fees for the year under review comprised a base fee of £84,000 per annum, which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees. From 1 October 2018 the base fee was set at £86,000.

Subject to a cap on the maximum amount of fees payable to any non-executive director of £125,000 per annum, an additional fee of £30,000, £30,000 and £20,000 per annum was payable where a non-executive director acted as Chairman of the Audit, Remuneration or Corporate Responsibility Committee respectively. Following a market review, the annual fee payable for chairing the Corporate Responsibility Committee was set at £30,000 per annum with effect from 1 October 2018. The fees for chairing the Audit and Remuneration Committee remain unchanged. An additional fee of £30,000 per annum was also payable to the director nominated as Senior Independent Director (SID) which remains unchanged for the coming year. Non-executive directors are not eligible for pension scheme membership, bonus, incentive arrangements or other benefits, save reimbursement of travel costs.

As more fully detailed in the Notice of Meeting on pages 193 and 195 the Company is seeking shareholder approval to pay each of its non-executive directors the full fee payable to them in respect of each non-executive role performed for the Company. No other changes are proposed to the Company's overall approach to the payment of fees to non-executive directors, as set out in the shareholder approved Policy.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable at three year intervals by mutual consent. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of the appointments of non-executive directors (in office at the date of this DRR) which are terminable without compensation are set out in the table below, together with the dates on which their appointments have been formally revised:

NON-EXECUTIVE DIRECTOR	ORIGINAL DATE OF APPOINTMENT	LETTER OF ENGAGEMENT	TOTAL LENGTH OF SERVICE AS AT 30 SEPT 2018
Carol Arrowsmith	1 June 2014	14 May 2014 8 Mar 2017*	4 years, 4 months
John Bason	21 June 2011	10 May 2011 8 May 2014* 8 Mar 2017*	7 years, 3 months
Stefan Bornhard	5 May 2016	5 May 2016	2 years, 4 months
John Bryant	1 Sept 2018	17 May 2018	1 month
Anne-Francoise Nesmes	1 July 2018	17 May 2018	3 months
Nelson Silva	16 July 2015	16 July 2015 8 Mar 2018*	3 years, 2 months
Ireena Vittal	16 July 2015	16 July 2015 8 Mar 2018*	3 years, 2 months

\* Date on which appointment was formally revised.

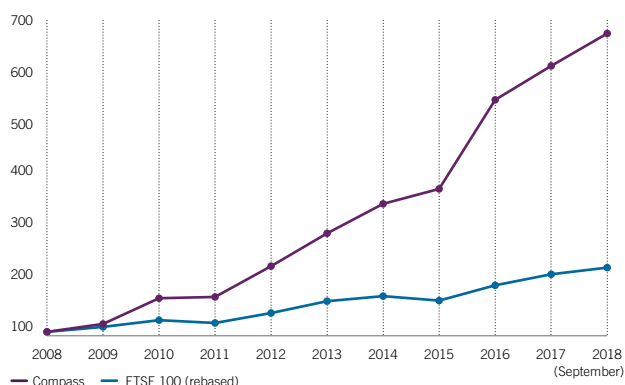
## ANNUAL REMUNERATION REPORT

### REMUNERATION IN DETAIL FOR THE YEAR ENDED 30 SEPTEMBER 2018

#### TOTAL SHAREHOLDER RETURN (TSR)

The performance graph below shows the Company's TSR performance against the performance of the FTSE 100 over the 10 year period to 30 September 2018. The FTSE 100 Index has been chosen as a broad equity market index of which the Company has been a constituent member throughout the period.

#### TOTAL RETURN INDICES COMPASS VS FTSE 100



### PAY FOR PERFORMANCE

The Committee believes that the executive director Remuneration Policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Company. To maintain this relationship, the Committee regularly reviews the business priorities and the environment in which the Company operates. The table below shows the Group CEO's total remuneration over the last 10 years and the achieved annual variable and long term incentive pay awards as a percentage of the plan maxima. The values disclosed for the year ended 30 September 2018 relate to Mr Blakemore and disclosures in earlier years relate to Mr Cousins.

	SINGLE TOTAL FIGURE OF REMUNERATION £000	ANNUAL VARIABLE ELEMENT: AWARD PAYOUT AGAINST MAXIMUM OPPORTUNITY %	LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY %
<b>2018<sup>1</sup></b>	<b>4,568<sup>2</sup></b>	<b>95.9</b>	<b>95.0</b>
2017	5,617 <sup>3</sup>	68.9	74.5
2016	5,822 <sup>4</sup>	85.8	84.5
2015	5,325 <sup>5</sup>	88.7	79.0
2014	6,298 <sup>6</sup>	87.3	100
2013	5,532 <sup>7</sup>	84.5	98.0
2012	4,867 <sup>8</sup>	71.8	100
2011	4,410	75.0	100
2010	5,614	96.0	100
2009	5,268	85.0	100

1. Mr Blakemore was Deputy Group CEO from 1 October 2017 to 31 December 2017 and Group CEO from 1 January 2018 to 30 September 2018.
2. Includes indicative LTIP vesting amount of £1.853 million calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July 2018 to 30 September 2018 of 1,646.125 pence.
3. LTIP indicative vesting amount of £2.665 million was disclosed in the 2017 Annual Report. Actual amount was £2.507 million.
4. LTIP indicative vesting amount of £2.590 million was disclosed in the 2016 Annual Report. Actual amount was £2.394 million.
5. LTIP indicative vesting amount of £2.120 million was disclosed in the 2015 Annual Report. Actual amount was £2.174 million.
6. LTIP indicative vesting amount of £3.643 million was disclosed in the 2014 Annual Report. Actual amount was £3.657 million.
7. LTIP indicative vesting amount of £2.960 million was disclosed in the 2013 Annual Report. Actual amount was £2.928 million.
8. LTIP indicative vesting amount of £2.451 million was disclosed in the 2012 Annual Report. Actual amount was £2.507 million.

## PERCENTAGE CHANGE IN REMUNERATION OF GROUP CHIEF EXECUTIVE OFFICER

As a result of the change in Group CEO earlier this year, it should be noted that the salary, bonus and taxable benefits amounts disclosed below for the Group CEO for the financial year ended 30 September 2018 reflect the amounts payable to Mr Blakemore in the financial year. Mr Blakemore was Deputy Group CEO from 1 October 2017 to 31 December 2017 and was Group CEO from 1 January 2018 to 30 September 2018. For the year ended 30 September 2018, the Group CEO received 18.9% salary less, 9.7% bonus more and 19.0% less in taxable benefits than the equivalent amounts for the year ended 30 September 2017. Mr Cousins was Group CEO for the preceding financial year.

For the year ended 30 September 2018, all full-time equivalent employees based in the UK received 2.2% more in salary, 26% less in bonus and 1.1% more in taxable benefits compared to the equivalent amounts for the year ended 30 September 2017. The UK employee workforce was chosen as the most suitable comparator group as the individual undertaking the Group CEO role has been based in the UK during each relevant year and pay changes across the Group vary widely depending on local market conditions. However, the change of Group CEO during the financial year, as well as the nature of the Group CEO's global role and responsibilities, make meaningful comparisons with any group of employees difficult and due caution should be exercised in this regard. We remain committed to the disclosure of the Group CEO pay ratio and are working through the complexities of a meaningful disclosure.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the amounts paid in share buybacks, dividends and total employee costs for the years ended 30 September 2017 and 2018.

DISPERSALS	2018 £M	2017 £M	CHANGE %
Share buybacks <sup>1</sup>	–	19	n/a
Dividends paid <sup>2</sup>	548	531	3.2
Special dividend <sup>3</sup>	–	1,003	n/a
Total employee costs <sup>4</sup>	10,461	10,236	2.2

- From 1 October 2016 to 21 April 2017 the Company repurchased and subsequently cancelled 1,340,344 ordinary shares of 10% pence for a consideration of £19 million (including expenses). On 14 June 2017, a further 35 ordinary shares of 10% pence were repurchased in connection with the approximate £1 billion Shareholder Return for a consideration of £582 (including expenses). Of these, 10 shares were held in treasury and the remaining 25 shares were cancelled. On 26 June 2017, in connection with the Shareholder Return, the Company's entire share capital was consolidated such that for every 26 existing 10% pence ordinary shares held, shareholders received 25 new ordinary shares of 11 $\frac{1}{20}$  pence, more details of which can be found on page 192. No shares were repurchased during the year under review. As at the date of this Report there were 1,589,736,625 ordinary shares of 11 $\frac{1}{20}$  pence in issue of which 5,669,201 ordinary shares of 11 $\frac{1}{20}$  pence are held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.
- The dividend paid during the year ended 30 September 2017 was £531 million and share capital in issue on that date was 1,589 million ordinary shares of 11 $\frac{1}{20}$  pence each. The total dividend paid during the year ended 30 September 2018 was £548 million and the share capital in issue on that date was 1,589 million ordinary shares of 11 $\frac{1}{20}$  pence. The total dividend per ordinary share for the year ended 30 September 2018 increased by 12.5%.
- The Company returned approximately £1 billion to shareholders in July 2017 by way of a special dividend. This was accompanied by the share capital consolidation referred to in note 1 above.
- Total employee costs include wages and salaries, social security costs, share-based payments and pension costs for all employees, including directors. The average number of employees, including directors and part-time employees in operations during 2018 was 595,841 (2017: 588,112).

## ANNUAL REMUNERATION REPORT CONTINUED

### DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the executive directors in office for the year ended 30 September 2018.

	DOMINIC BLAKEMORE		GARY GREEN <sup>1</sup>		JOHNNY THOMSON		RICHARD COUSINS	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
<b>Fixed pay</b>								
Base salary <sup>2,3,4</sup>	863	652	1,027	1,043	649	610	268	1,064
Taxable benefits <sup>3,5</sup>	34	16	55	57	32	21	14	42
Pension <sup>3,6</sup>	201	228	360	366	227	213	94	372
Total fixed pay	1,098	896	1,442	1,466	908	844	376	1,478
<b>Performance related pay</b>								
Bonus <sup>7,8</sup>	1,617	145	1,552	1,562	947	642	517	1,474
LTIP <sup>8,9,10,11</sup>								
Value delivered through corporate performance	1,203	697	1,506	870	1,081	285	2,308	1,473
Value delivered through share price growth	650	564	815	704	584	231	1,068	1,192
Total long term incentives	1,853	1,261	2,321	1,574	1,665	516	3,376	2,665
<b>Total remuneration related to executive director appointment</b>	<b>4,568</b>	<b>2,302</b>	<b>5,315</b>	<b>4,602</b>	<b>3,520</b>	<b>2,002</b>	<b>4,269</b>	<b>5,617</b>
<b>Other performance related pay<sup>12</sup></b>								
(Awards granted prior to appointment as executive director – performance conditions relate to previous role)								
The Compass Group Deferred Annual Bonus Plan	–	–	–	–	–	147	–	–
<b>Single total figure of remuneration</b>	<b>4,568</b>	<b>2,302</b>	<b>5,315</b>	<b>4,602</b>	<b>3,520</b>	<b>2,149</b>	<b>4,269</b>	<b>5,617</b>

- Gary Green's base salary of US\$1,399,590 and his other emoluments are shown in sterling at an exchange rate of US\$1.3479/£1 (2017: US\$1.2762/£1). In US\$ terms Gary Green's base salary was paid at the annual rate of US\$1,345,760 from 1 January 2017 and US\$1,399,590 from 1 January 2018, being an increase of 4%.
- Salary increases of 4% and 6% for Messrs Green and Thomson respectively were implemented on 1 January 2018 as disclosed in the 2017 Directors' Remuneration Report.
- Richard Cousins ceased to be a director and Group CEO on 31 December 2017. As substantively set out in his Section 430(2B) Companies Act 2006 Statement which was published on the Company's website on 9 February 2018, all payments ceased with effect from 31 December 2017. His salary, cash allowance in lieu of pension contributions and benefits for the three months to 31 December 2017 were £267,500, £93,625 and £14,000 (including a car allowance of £6,120) respectively.
- Dominic Blakemore's base salary was increased to £750,000 with effect from 1 October 2017 following his promotion to Deputy Group CEO. Dominic received a subsequent increase of £150,000 following his appointment as Group CEO on 1 January 2018.
- Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.
- In accordance with the Policy, a pension cash allowance of 35% of base salary was paid in monthly instalments in lieu of pension participation for Messrs Green and Thomson. From 1 October 2017 to 31 December 2017, Mr Blakemore received a pension cash allowance of 35%. Mr Blakemore voluntarily elected to adopt the 20% rate of contribution from 1 January 2018 following his promotion to Group CEO.
- Mr Cousins' estate will be entitled to receive the element of bonus that accrued between 1 October 2017 and 31 December 2017 prorated for the financial year ended 30 September 2018. The payment was determined based on the performance outcome of the Group Annual Bonus as set out on page 86 which was 95.9% and results in a payment of £517,266 (which will be paid in December 2018).
- Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 86 to 88.
- The amount shown is the indicative value based on the average market price of Compass Group PLC shares over the three month period from 1 July 2018 to 30 September 2018 (1,646.125 pence) of LTIP awards that have become receivable as a result of the achievement of performance conditions relating to the three year performance period to 30 September 2018.
- Mr Cousins had not since 2016 received, and was not expected to receive, a further award of any long term incentives. Under the rules of the Compass Group PLC Long Term Incentive Plan 2010, a participant's death curtails the relevant performance period and extant awards then vest subject to the prorated achievement of corporate performance targets set at the date of award together with time proration to reflect the shortened performance periods. Accordingly, Mr Cousins' estate was entitled to receive 159,549 of the 234,804 shares awarded under the 2015 LTIP and 54,019 of the 196,980 shares awarded under the 2016 LTIP. The value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months to 31 December 2017 of 1,580.48 pence per share.
- Messrs Blakemore, Green, Thomson and Cousins sold 37,231, 47,054, 10,787 and 78,678, shares respectively of LTIP awards that had become receivable as a result of the achievement of performance conditions relating to the three year performance period ended 30 September 2017 to settle resultant tax and social security obligations. The sale price on 23 November 2017 when they sold these shares was 1,519.746 pence per share. All of the vested LTIP awards (with the exception of those of Mr Thomson which were granted to him prior to his appointment as a director) were subject to a two year post vest holding period. Theoretically, if the directors had sold all of their vested LTIPs, they would have received in aggregate £5,660,250 which is approximately £355,750 less than the original indicative value disclosed in the corresponding table in last year's annual report.
- Mr Thomson had an interest in 10,622 shares that were awarded conditionally in connection with a 'below board' plan prior to his appointment as a director of the Company. These vested on 29 November 2016. Mr Thomson elected to keep these shares (net of those sold to settle resulting tax and social security obligations). Had Mr Thomson sold all of his shares, he would have received a notional gain of £146,584 based on the closing share price of 1,380.00 pence per share at the date prior to the release of his award. Mr Thomson has no further extant below board awards.

## BASE SALARY

The annual rate of base salaries of the executive directors in office for the year ended 30 September 2018 was:

DIRECTOR	BASE SALARY	EFFECTIVE DATE	INCREASE	REASON
Dominic Blakemore <sup>1</sup>	£900,000	1 January 2018	20%	Promotion to role of Group CEO
Gary Green	\$1,399,590	1 January 2018	4%	Relevant peer/market & performance
Johnny Thomson	£658,000	1 January 2018	6%	Progression in role, gain in experience
Richard Cousins	£1,070,000	1 January 2017	2.4%	Relevant peer/market & performance

1. Dominic Blakemore's base salary was increased to £750,000 with effect from 1 October 2017 following his promotion to Deputy Group CEO. Dominic received a subsequent increase of £150,000 following his accelerated appointment as Group CEO on 1 January 2018. The Committee adopted a balanced approach when determining the level of remuneration to be paid, bearing in mind that it was Mr Blakemore's first role as a Group CEO of a listed company. His base salary on appointment has been set with the aim of making increases if considered appropriate to reflect experience and progression in the role and to bring Mr Blakemore's base salary in line with that of his FTSE peers.

The proposed annual rate of base salaries of the executive directors in office from 1 January 2019 will be:

DIRECTOR	BASE SALARY	EFFECTIVE DATE	INCREASE	REASON
Dominic Blakemore <sup>1</sup>	£975,000	1 January 2019	8.3%	Progression in role, gain in experience
Gary Green	\$1,442,000	1 January 2019	3%	Relevant peer/market & performance

1. Dominic Blakemore's salary has been reviewed in line with the commitment last year and reflects performance in the year. With effect from 1 January 2019, his salary will increase to £975,000. Any adjustments thereafter will be consistent with the range applicable to the wider workforce.

Non-executive directors receive fees only, which are shown on page 92, together with the Chairman's fees and benefits. The aggregate total amount of remuneration received by all directors in office during the year ended 30 September 2018 is shown below:

	2018 £000	2017 £000
Executive directors	17,672	14,670
Chairman and non-executive directors	1,150	1,187
<b>Total</b>	<b>18,822</b>	15,857

## ANNUAL BONUS PLANS

### 2017-2018 BONUS

The financial targets for the bonus for the year ended 30 September 2018, and the extent to which they were achieved, were as set out on page 86. It is intended to continue to disclose Group and regional targets, on a retrospective basis. The achievement of targets is calculated on a straight line basis between Minimum and Target (par) and between Target (par) and Maximum, and by reference to budgeted exchange rates.

As was the case for previous years, the measurement of the achievement of the AFCF and PBIT results is based on the underlying outcome achieved in the financial year, with gains/losses attributable to currency movements, charges and the impacts of restructuring and/or acquisitions/disposals usually being excluded.

## ANNUAL REMUNERATION REPORT CONTINUED

### 2017-2018 PERFORMANCE MEASURES AND TARGETS

#### DOMINIC BLAKEMORE, JOHNNY THOMSON AND RICHARD COUSINS

FINANCIAL MEASURES <sup>1</sup>	% WEIGHTING	MINIMUM	PAR (TARGET)	MAXIMUM	ACHIEVED
PBIT <sup>2,4</sup>	55	£1,758.0m	£1,794.2m	£1,830.0m	£1,825.2m
AFCF <sup>3,4</sup>	15	£1,039.0m	£1,071.0m	£1,103.0m	£1,256.2m
ORG <sup>5</sup>	25	3.7%	4.7%	5.7%	5.66%
GROUP HSE IMPROVEMENT			TARGET	ACHIEVED	ACHIEVED
Lost Time Incident Frequency Rate	2.5		3.25	3.15	Yes
Food Safety Incident Rate	2.5		0.29	0.24	Yes

#### GARY GREEN

FINANCIAL MEASURES <sup>1</sup>	% WEIGHTING	MINIMUM	PAR (TARGET)	MAXIMUM	ACHIEVED
PBIT <sup>2,4</sup>	5	£1,758.0m	£1,794.2m	£1,830.0m	£1,825.2m
RPBIT <sup>6</sup>	55	5.6%	6.6%	7.2%	7.9%
MAWC <sup>7</sup>	15	\$(460.4)m	\$(480.4)m	\$(490.4)m	\$(495.3)m
RORG <sup>8</sup>	25	5.0%	6.0%	7.0%	7.8%

#### NORTH AMERICA HSE IMPROVEMENT

HSE for the North American business is measured through North American underlying PBIT.

### 2017-2018 OUTCOMES

MEASURE	DOMINIC BLAKEMORE % OF PERFORMANCE TARGET ACHIEVED	GARY GREEN % OF PERFORMANCE TARGET ACHIEVED	JOHNNY THOMSON % OF PERFORMANCE TARGET ACHIEVED	RICHARD COUSINS % OF PERFORMANCE TARGET ACHIEVED
PBIT/RPBIT <sup>2,4,6</sup>	51.3/55 <sup>2,4</sup>	59.7/60 <sup>2,4,6</sup>	51.3/55 <sup>2,4</sup>	51.3/55 <sup>2,4</sup>
AFCF <sup>3,4</sup>	15.0/15	–	15.0/15	15.0/15
MAWC <sup>7</sup>	–	15.0/15	–	–
ORG/RORG <sup>5,8</sup>	24.6/25 <sup>5</sup>	25.0/25 <sup>8</sup>	24.6/25 <sup>8</sup>	24.6/25 <sup>5</sup>
HSE	5/5	–	5/5	5/5
<b>Total</b>	<b>95.9/100</b>	<b>99.7/100</b>	<b>95.9/100</b>	<b>95.9/100</b>

#### Notes to tables

- Financial measures for 2017-2018 bonus purposes are all set at 2018 foreign exchange budget rates, not actuals.
- PBIT is underlying Profit Before Interest and Tax (Group).
- AFCF is Adjusted Free Cash Flow (Group).
- Messrs Blakemore, Green, Thomson and Cousins' entitlements to any bonus related to the achievement of AFCF and PBIT were adjusted, in accordance with the established framework to exclude all unbudgeted M&A spend together with routine restructuring costs.
- ORG is Organic Revenue Growth (Group).
- RPBIT is underlying Profit Before Interest and Tax for Region of responsibility.
- MAWC is Average Working Capital Balance for Region of responsibility for Mr Green. The 2017-2018 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the designated period.
- RORG is Organic Revenue Growth for Region of responsibility.

### 2017-2018 PAYOUTS

The outcome of the annual bonus for the year ended 30 September 2018 was due to the continued strong underlying financial performance aligned with the delivery of the Group's long term strategy. The table below shows the resulting payout to each executive director in office during the year in such capacity:

	2017-2018 BONUS PAYMENT AS % OF BASE SALARY AS AT 30 SEPT 2018	VALUE OF BONUS
Dominic Blakemore <sup>1</sup>	179.7%	£1,617,376
Johnny Thomson	143.8%	£946,504
Gary Green	149.5%	US\$2,092,364
Richard Cousins <sup>2</sup>	48.3%	£517,266

No discretion was applied by the Committee in respect of the directors' bonuses for the year under review. As the current directors have each met the share ownership guideline, the bonus will be paid in cash.

- The bonus for Mr Blakemore as a % of base salary was calculated on a pro rata basis for his roles as Deputy and Group CEO.
- The bonus for Mr Cousins has been prorated for the period of employment in the financial year from 1 October 2017 to 31 December 2017, and payout is calculated on salary as at 31 December 2017.



## 2018-2019 BONUS PERFORMANCE MEASURES

The annual bonus performance measures for executive directors for the year ending 30 September 2019 are unchanged. They are:

MEASURE	DOMINIC BLAKEMORE	GARY GREEN
PBIT/RPBIT	55% <sup>1</sup>	60% <sup>2</sup>
AFCF	15% <sup>3</sup>	–
MAWC	–	15% <sup>4</sup>
ORG/RORG	25% <sup>5</sup>	25% <sup>6</sup>
HSE	5%	– <sup>7</sup>
<b>Total<sup>8</sup></b>	<b>100%</b>	<b>100%</b>

1. Underlying PBIT (Group).
2. Underlying PBIT split between Group PBIT and PBIT for Region of responsibility for Mr Green: 5% Group/55% Regional.
3. AFCF is Adjusted Free Cash Flow (Group).
4. MAWC for Region of responsibility. The 2018-2019 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the designated period.
5. Organic Revenue Growth (Group).
6. Organic Revenue Growth for Region of responsibility.
7. HSE for the North American business is measured through underlying RPBIT.
8. Bonus payments may be reduced if the Remuneration Committee is not satisfied with the underlying financial performance of the Group.

The Committee has set the targets for the annual bonus plan for the year ending 30 September 2019 but has chosen not to disclose the details in this DRR, as it is the opinion of the Committee that it may be seriously prejudicial to the interests of the Company to do so, and our major competitors do not disclose their targets or projected forecasts. However, the specific targets and the extent to which the targets have been met (both at Group and Regional levels) will be disclosed in next year's DRR.

## LONG TERM INCENTIVE AWARDS

During the year ended 30 September 2018, executive directors received a conditional award of shares which may vest after a three year performance period which will end on 30 September 2020, based on the achievement of stretching performance conditions.

The maximum levels achievable under these awards are set out in the table below:

DIRECTOR	LTI AWARD (AS A % OF BASE SALARY)	FACE VALUE OF AWARD <sup>1</sup> £000
Dominic Blakemore	300%	2,700
Gary Green	250%	2,499
Johnny Thomson <sup>2</sup>	250%	1,645
		<b>6,844</b>

1. Face value of award as at the date of grant on 9 February 2018 is based on the closing market price of 1,514.00 pence per share on 8 February 2018.
2. Mr Thomson's award will lapse on 31 December 2018.

Executive directors are required to hold vested awards for a period of two years following vesting so as to further strengthen the long term alignment of executives' remuneration packages with shareholders' interests and, if required, to facilitate the implementation of provisions related to malus and clawback.

## ANNUAL REMUNERATION REPORT CONTINUED

The table below sets out the performance measures for the awards under the Policy in operation during the financial year under review:

### DEFINITION OF MEASURE

**ROCE** The definition aims to measure the underlying economic performance of the Company. ROCE is calculated at the end of the three year performance period as net underlying operating profit after tax (NOPAT) divided by 12 month average capital employed (see page 202 for full definitions).

**Adjusted FCF** The definition aims to measure the cash generation of the Company and is calculated as the three year cumulative underlying FCF (see page 202 for full definition) adjusted for constant currency.

**TSR** Performance is compared to that of constituent members of the FTSE 100 (excluding the financial service sector). TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three year performance period).

In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions. The table below shows the targets against which performance has been measured to determine the vesting of the grant of awards for the year ended 30 September 2018 and forms part of the Policy detailed in the Policy Report on pages 62 to 68 of the 2016 Annual Report and Accounts.

### 2015-2016 AWARD TARGETS (FOR AWARDS WITH A PERFORMANCE PERIOD ENDED 30 SEPTEMBER 2018)

#### ROCE TARGET

LEVEL OF PERFORMANCE	THRESHOLD	MAXIMUM	ACHIEVED
Vesting % of component	0%	100%	84.9%
As at date of award	18.71%	19.71%	–
Reconciled at the end of the performance period <sup>1</sup>	19.67%	20.67%	20.52%

#### AFCF TARGET

LEVEL OF PERFORMANCE	THRESHOLD	MAXIMUM	ACHIEVED
Vesting % of each component	0%	100%	100%
AFCF	£2,220m	£2,454m	£2,674m

#### TSR TARGET

LEVEL OF PERFORMANCE	BELOW MEDIAN	MEDIAN	UPPER QUARTILE	ACHIEVED
Vesting % of each component	0%	25%	100%	100%

1. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend and constant currency.

### 2015-2016 AWARD PERFORMANCE

84.9% of the ROCE, 100% of the AFCF and 100% of the TSR performance measures were achieved at the end of the three year performance period, such that 95% of the LTIP awards made during the 2015-2016 financial year vested. Shares will be delivered to individuals following the release of the preliminary results for the year ended 30 September 2018. The Committee applied the established framework to deal with items that were unforeseen at the time the targets were set in 2015-2016 and which were in the long term interests of shareholders. AFCF was adjusted for restructuring in Europe to reflect trading conditions and adjusted to reflect the reduction in pension deficit contributions to the UK pension scheme to ensure management did not benefit from this reduction. Both the ROCE and AFCF measures were adjusted to exclude a one-off capital investment in the North American business.

DIRECTOR	PERFORMANCE CONDITIONS			NUMBER OF SHARES AWARDED	NUMBER OF SHARES VESTED	VALUE OF SHARES ON VESTING <sup>2</sup> £000
	TSR % VESTED ON MATURITY <sup>1</sup>	ROCE % VESTED ON MATURITY	AFCF % VESTED ON MATURITY			
Dominic Blakemore	100%	84.9%	100%	118,518	112,550	1,853
Gary Green	100%	84.9%	100%	148,479	141,002	2,321
Johnny Thomson	100%	84.9%	100%	106,482	101,120	1,665

1. TSR ranking was 11<sup>th</sup> in its comparator group.

2. The indicative value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July 2018 to 30 September 2018 of 1,646.125 pence per share.

## 2015-2016 AND 2016-2017 AWARDS (FOR PERFORMANCE PERIODS ENDED 31 DECEMBER 2017)

In accordance with the LTIP 2010 Rules, the Performance Period for each of the extant LTIP awards for 2015-2016 and 2016-2017 for Mr Cousins was brought to an early conclusion and each ended on 31 December 2017. Consequently, his awards vested to the extent the performance conditions had been met at the time of vesting as determined by the Remuneration Committee. Mr Cousins was originally awarded 234,804 shares for the 2015-2016 LTIP award and 196,980 shares for the 2016-2017 LTIP award, which were prorated for his time in office to 176,103 and 82,075 respectively.

The 2015-2016 LTIP award vested at 90.6% and the 2016-2017 LTIP award at 65.8%. The value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 October 2017 to 31 December 2017 of 1,580.48 pence per share.

The Committee has chosen not to disclose the detail of performance relative to the targets set and measured over the foreshortened period in respect of the former Group CEO, as it is the opinion of the Committee that the information is commercially sensitive and to disclose it would not be in the best interests of the Company or its shareholders.

## 2018-2019 AWARD TARGETS (FOR AWARDS GRANTED IN THE YEAR ENDING 30 SEPTEMBER 2019)

The table below shows the targets against which performance will be measured to determine the vesting of the grant of awards to be made in the year ending 30 September 2019 and forms part of the Policy detailed in the Policy Report on pages 75 to 81.

### ROCE AND ACFE TARGETS

LEVEL OF PERFORMANCE	VESTING % OF EACH COMPONENT	ROCE	ACFE
Threshold	0%	18.21%	£2,873m
Par (target)	50%	18.71%	£3,024m
Maximum	100%	19.21%	£3,175m

### TSR TARGET

LEVEL OF PERFORMANCE	VESTING % OF EACH COMPONENT
Below Median	0%
Median	25%
Upper Quartile	100%

The vesting of the shares under each performance condition is independent. Therefore, the total vesting amount is based on the relevant percentage achievement for each performance measure. Awards vest on a straight line basis between Threshold and Par and between Par and Maximum. If performance under a component does not exceed the Threshold level, vesting for that component will be nil. At the end of the performance period, the Committee will review the underlying financial performance of the Company and retains its discretion to adjust vesting if it considers that financial performance is unsatisfactory.

The Committee considers the measures and targets set in respect of 2018-2019 to be appropriate and challenging. Calculations of the achievement of the targets will be independently performed and approved by the Committee. The Committee retains discretion to adjust for performance and the nature of any such adjustments will be disclosed in the DRR, together with details of the achieved ROCE, ACFE and TSR performance, as determined by the above definitions, at the end of the performance period.

## LONG TERM INCENTIVE PLAN HISTORIC AWARD VESTING

The table below sets out the percentage of each LTIP award made to executive directors within the last four years which has vested:

YEAR OF AWARD	MATURITY DATE	PERFORMANCE CONDITIONS	ROCE % VESTED ON MATURITY	ACFE % VESTED ON MATURITY	TSR % VESTED ON MATURITY
2012-2013	1 Oct 2015	ROCE/ACFE/TSR	74%	78%	85%
2013-2014	1 Oct 2016	ROCE/ACFE/TSR	60.7%	92.7%	100%
2014-2015	1 Oct 2017	ROCE/ACFE/TSR	23.5%	100%	100%
2015-2016	1 Oct 2018	ROCE/ACFE/TSR	84.9%	100%	100%

## ANNUAL REMUNERATION REPORT CONTINUED

### EXTANT EQUITY INCENTIVE AWARDS HELD BY EXECUTIVE DIRECTORS

Details of all existing equity incentive awards as at the date of this DRR, including the awards conditionally made under the long term incentive plans to the executive directors at any time during the year ended 30 September 2018, are shown in the table below. None of the executive directors hold any extant award under any previously operated share option scheme:

#### LTIP

DIRECTOR	AS AT 30 SEPT 2017: NUMBER OF SHARES	AWARDED DURING THE YEAR: NUMBER OF SHARES	RELEASED DURING THE YEAR: NUMBER OF SHARES	LAPSED DURING THE YEAR: NUMBER OF SHARES	AS AT 30 SEPT 2018: NUMBER OF SHARES	MARKET PRICE AT DATE OF AWARD: PENNY	DATE OF AWARD	MATURITY DATE
Dominic Blakemore	104,802	–	78,077	26,725	–	1145.00	6 Feb 2015	1 Oct 2017
	118,518	–	–	–	118,518	1080.00	25 Nov 2015	1 Oct 2018
	96,528	–	–	–	96,528	1326.00	23 Nov 2016	1 Oct 2019
	–	178,390	–	–	178,390	1513.50	9 Feb 2018	1 Oct 2020
<b>Total</b>	<b>319,848</b>	<b>178,390</b>	<b>78,077</b>	<b>26,725</b>	<b>393,436</b>			
Gary Green	130,785	–	97,434	33,351	–	1145.00	6 Feb 2015	1 Oct 2017
	148,479	–	–	–	148,479	1080.00	25 Nov 2015	1 Oct 2018
	137,271	–	–	–	137,271	1326.00	23 Nov 2016	1 Oct 2019
	–	165,125	–	–	165,125	1513.50	9 Feb 2018	1 Oct 2020
<b>Total</b>	<b>416,535</b>	<b>165,125</b>	<b>97,434</b>	<b>33,351</b>	<b>450,875</b>			
Johnny Thomson	42,870	–	31,938	10,932	–	1145.00	6 Feb 2015	1 Oct 2017
	106,482	–	–	–	106,482	1080.00	25 Nov 2015	1 Oct 2018
	86,724	–	–	–	86,724	1326.00	23 Nov 2016	1 Oct 2019
	–	108,685	–	–	108,685	1513.50	9 Feb 2018	1 Oct 2020
<b>Total</b>	<b>236,076</b>	<b>108,685</b>	<b>31,938</b>	<b>10,932</b>	<b>301,891</b>			

- Each award granted is based on a three year performance period. Under the 2010 LTIP, awards are based one third on a ROCE target, one third on AFCF and one third on growth in the Company's TSR relative to the FTSE 100, excluding the financial service sector. Awards granted under the 2018 LTIP are based 40% on a ROCE target, 40% on a AFCF target and 20% on growth in the Company's TSR relative to the FTSE 100, excluding the financial service sector.
- The performance period of the award granted on 6 February 2015 came to an end on 30 September 2017. This award vested in part at 74.5% of the maximum award. The shares disclosed as lapsed during the year represent the proration of the original award.
- Awards granted on 9 February 2018 were made under the LTIP 2018. All other awards were granted under the LTIP 2010.
- On 23 November 2017, Messrs Blakemore, Green and Thomson sold 37,231, 47,054 and 10,787 shares respectively of LTIP awards that had become receivable as a result of the achievement of performance conditions relating to the three year performance period to 30 September 2017 to settle resultant tax and social security obligations. All of the vested LTIP awards (with the exception of those of Mr Thomson which were granted to him prior to his appointment as a director) were subject to a two year post vest holding period. Theoretically, if the directors had sold all of their vested LTIP awards, they would have received in aggregate £5,660,250 based on a sales price of 1,519.746 pence on 23 November 2017. The closing share price on the day preceding the release of their awards was 1,538.00 pence per share.
- The performance period of the award granted on 25 November 2015 came to an end on 30 September 2018. The award vested in part at 95% of the maximum award.
- All awards were granted for nil consideration.
- The highest mid-market price of the Company's ordinary shares during the year ended 30 September 2018 was 1,708.50 pence per share and the lowest was 1,425.00 pence per share. The year end price was 1,706.00 pence per share.

### PENSIONS

At 30 September 2018, there were no executive directors actively participating in any Compass Group defined benefit pension arrangements and none of the executive directors were accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as executive directors.

For the year under review, Messrs Green, Thomson and Cousins each received a pension cash allowance equal to 35% of their base salaries in lieu of pension for the period of employment. Dominic Blakemore received 35% for the period of his appointment as Deputy CEO from 1 October 2017 to 31 December 2017. However, Mr Blakemore voluntarily elected to adopt the 20% rate of contribution from 1 January 2018.

### DIRECTOR CHANGES DURING THE YEAR

#### RICHARD COUSINS

Details of the remuneration earned by Mr Cousins prorated for the period from 1 October 2017 to 31 December 2017 and the treatment of awards that vested on his ceasing to be a director are set out on pages 84 and 89. The disclosures are substantively the same as those set out in his Section 430(2B) Companies Act 2006 Statement which was published on the Company's website on 9 February 2018. Mr Cousins would not have been entitled to receive any payment for loss of office had his service contract not been curtailed.

## JOHNNY THOMSON

As announced on 4 July 2018, Johnny Thomson will step down from the Board on 31 December 2018. In line with the current Policy, Mr Thomson will receive his current base salary, 35% pension cash allowance and benefits to this date. For the period from 1 January 2019 to 30 June 2019 he will receive a payment in lieu of notice (comprised of salary, pension allowance and 10% of his base salary in lieu of benefits) subject to an obligation to mitigate. All of Mr Thomson's extant LTIP awards will lapse on his ceasing to be a director on 31 December 2018. Mr Thomson will not be eligible to an annual bonus payment in respect of 2018-2019.

On 30 September 2018, the performance period for the 2015-2016 LTIP award came to an end and the award subsequently vested on 20 November 2018. In line with the current Policy, those shares which Mr Thomson received as a result of the vesting of his 2015-2016 LTIP award will be subject to a two year post vest holding requirement and will also be subject to malus and clawback provisions.

## DON ROBERT

Don Robert stepped down from the Board and its committees on 31 May 2018. Other than the fees payable to Mr Robert for the period up to 31 May 2018, no payment was made to him in connection with his ceasing to be a director of the Company.

No other payments were made during the year ended 30 September 2018 to any past director of the Company. On the relevant dates statements prepared pursuant to section 430(2B) of the CA 2006 are posted on the Company's website at [www.compass-group.com](http://www.compass-group.com).

## KAREN WITTS

As announced on 11 October 2018, Ms Witts' annual remuneration package which is in line with the Company's shareholder approved Remuneration Policy, will include the following:

- base salary of £660,000
- bonus opportunity of up to 150% of base salary, prorated from her joining date for the first financial year of her appointment. One third of the bonus earned to be deferred for three years if the share ownership guidelines have not been met
- an award of 250% of base salary under the LTIP 2018. This will vest based on performance over a three year performance period as assessed by the Remuneration Committee, against ROCE, AFCF and relative TSR targets. The award will also be subject to a two year holding period
- standard contractual benefits including pension payments (cash allowance or contribution) equal to 20% of base salary

The Company has also agreed the following buyout arrangements to compensate for the forfeiture of incentive compensation from Ms Witts' current employment. The recruitment Policy approved by shareholders sets out how to determine the buyout of outstanding incentives from a previous employer, namely, that awards should minimise the cost to Compass and, where possible, should deliver any compensation in the form of Compass shares, delivered no earlier than the original awards. In line with that policy, the buyout of current share-based incentives is a blend of restricted shares and performance shares to replicate the form of awards forfeit. The timing of the payouts will be no earlier than the awards forfeited, and all awards will be made in Compass shares with forward-looking performance conditions applying where appropriate:

- an award of performance shares worth £500,000 which will vest subject to Compass' performance over the three year period ending 30 September 2021 as assessed by the Remuneration Committee, against ROCE, AFCF and relative TSR performance targets as applied under the LTIP 2018
- an award of restricted shares with a value at the date of grant of £1,120,000 anticipated to vest in three approximately equal tranches over the three financial years ending 30 September 2019-2021. The majority of the award will also be subject to two financial underpins relating to Compass' performance, which are (i) the maintenance of net debt: underlying EBITDA (adjusted for M&A activity and changes to accounting standards) and (ii) dividend at least in line with constant currency earnings per share
- compensation, to be delivered in Compass shares, for the loss of any 2018-2019 annual bonus equal in value to the actual bonus that would have been paid by the previous employer

All net shares vesting must be retained until the Company's share ownership guidelines for executive directors have been met.

## EXTERNAL NON-EXECUTIVE DIRECTOR APPOINTMENTS

Executive directors may take up one non-executive directorship outside the Group subject to the Board's approval, provided that such appointment is not likely to lead to a conflict of interest. It is recognised that non-executive duties can broaden experience and knowledge which can benefit the Company. Mr Blakemore retired from his role with Shire plc on 24 April 2018 and received fees of €81,390 in respect of this directorship in the period. At the date of this DRR, neither Gary Green nor Johnny Thomson hold any external appointments.

## ANNUAL REMUNERATION REPORT CONTINUED

### NON-EXECUTIVE DIRECTORS' REMUNERATION

Details of amounts received by Paul Walsh during the year ended 30 September 2018 are shown below:

CHAIRMAN	FEES £000	BENEFITS <sup>1</sup> £000	TOTAL 2018 £000	TOTAL 2017 £000
Paul Walsh	540	1	541	560

1. Benefits for the year ended 30 September 2018 comprise the provision of costs in relation to commuting travel.

Details of the fees paid to each of the non-executive directors in office for the year ended 30 September 2018 are set out below:

	2018 £000	2017 £000
Carol Arrowsmith	114	109
John Bason <sup>1</sup>	119	111
Stefan Bomhard	84	84
John Bryant <sup>2</sup>	7	n/a
Anne-Francoise Nesmes <sup>3</sup>	21	n/a
Don Robert <sup>4</sup>	76	111
Nelson Silva	104	94
Ireena Vittal	84	84
<b>Total</b>	<b>609</b>	<b>593</b>

1. Succeeded Don Robert as SID on 1 June 2018.
2. Appointed to the Board and its committees on 1 September 2018.
3. Appointed to the Board and its committees on 1 July 2018.
4. Stepped down from the Board and its committees on 31 May 2018.

### SHARE OWNERSHIP GUIDELINES AND DIRECTORS' INTERESTS IN SHARES

In order that their interests are aligned with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company as set out in the share ownership guidelines as described on page 78.

The Committee reviewed and noted that the guidelines were satisfied by all directors in office during the year. The interests of the directors in office during the year ended 30 September 2018 in shares (including the interests of Persons Closely Associated) and share incentives are shown in the table below:

DIRECTOR	BENEFICIAL		CONDITIONAL		SHAREHOLDING REQUIRED <sup>1,2</sup>	COMPLIANCE WITH SHAREHOLDING GUIDELINES
	SHARES HELD AS AT 30 SEPT 2018 <sup>1</sup> OR DATE OF LEAVING	SHARES HELD AS AT 30 SEPT 2017	LTIP HOLDINGS AS AT 30 SEPT 2018 OR DATE OF LEAVING	LTIP HOLDINGS AS AT 30 SEPT 2017		
Carol Arrowsmith	10,121	9,904	n/a	n/a	100%	✓
John Bason	11,976	10,782	n/a	n/a	100%	✓
Dominic Blakemore	137,524	96,678	393,436	319,848	300%	✓
Stefan Bomhard	5,865	5,865	n/a	n/a	100%	✓
John Bryant <sup>3</sup>	–	–	n/a	n/a	100%	✓
Richard Cousins <sup>4</sup>	1,063,065	976,745	258,178	653,259	200%	✓
Gary Green	255,595	255,595	450,875	416,535	250%	✓
Anne-Francoise Nesmes <sup>5</sup>	–	–	n/a	n/a	100%	✓
Don Robert <sup>6</sup>	27,149	27,149	n/a	n/a	100%	✓
Nelson Silva	7,884	7,884	n/a	n/a	100%	✓
Johnny Thomson	155,410	134,259	301,891	236,076	250%	✓
Ireena Vittal	5,241	1,791	n/a	n/a	100%	✓
Paul Walsh	35,395	35,395	n/a	n/a	100%	✓

1. As a percentage of base salary or fee with effect from 8 February 2018.
2. Under the current guidelines executive directors are required to achieve the % shareholding shown in the table above, within a five year period in accordance with the Company's share ownership guidelines.
3. Appointed to the Board and its committees on 1 September 2018.
4. Mr Cousins' holding is shown as at 31 December 2017. LTIP is prorated for time in office and details of vesting percentages are provided on page 89.
5. Appointed to the Board and its committees on 1 July 2018.
6. Stepped down from the Board and its committees on 31 May 2018. The figure disclosed is Mr Robert's holding at that date.

There were no changes in directors' interests between 30 September 2018 and 20 November 2018.

## REMUNERATION OF OTHER SENIOR EXECUTIVES AND MANAGEMENT

A number of senior executives and the executive directors comprise the Executive Board. These key management roles influence the ability of the Group to meet its strategic targets. The Committee sets the remuneration for these individuals and has regard to the remuneration level and structure of the wider business. Total remuneration including base salary and other short term benefits, target (or par) bonus and the expected value of long term incentives is summarised in note 3 to the consolidated financial statements on page 127.

### REMUNERATION ADVICE

The Chairman and the Group CEO, together with Robin Mills (Group HR Director) and Lorna Benton (Group Reward & Diversity Director) are normally invited to attend each Committee meeting and provide advice and guidance to the Committee (other than in respect of their own remuneration) for which they are not paid a fee in addition to their remuneration from the Company under their service contracts. Details of the members of the Committee who served during the year ended 30 September 2018 are set out on pages 50 and 51.

WillisTowersWatson (WTW) was appointed by the Company in 2017. During the year, WTW advised the Committee on remuneration related matters in respect of the executive directors and non-executive directors including detailed external information and research on market data and trends for which it received total fees (based on hours spent) of £29,100 (2017: £167,000). WTW provided services globally which comprised remuneration benchmarking, insurance brokerage and other consultancy advice.

Alithos Limited (Alithos) was appointed by the Company in 2002. During the year, Alithos provided information for the testing of the TSR performance conditions for the Company's LTIP awards, for which it received fixed fees of £24,000 (2017: £24,000). It also provided the TSR performance graph for the DRR, for which it received a fixed fee of £500 (2017: £500). Alithos did not provide any other advice or services to the Company during the year.

The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of its members generally, including Carol Arrowsmith, Chairman of the Committee, who was formerly a remuneration consultant with Deloitte LLP.

### SHAREHOLDER VOTE ON 2016-2017 DIRECTORS' REMUNERATION REPORT

The table below shows the voting outcome at the AGM held on 8 February 2018 for the 2016-2017 Annual Remuneration Policy and Remuneration Report:

	NUMBER OF VOTES 'FOR' & 'DISCRETIONARY'	% OF VOTES CAST	NUMBER OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NUMBER OF VOTES CAST	NUMBER OF VOTES 'WITHHELD' <sup>1</sup>
Remuneration Policy <sup>2</sup>	1,153,741,571	95.90	49,370,003	4.10	1,203,111,574	10,721,950
Annual Remuneration Report <sup>3</sup>	1,161,167,059	96.58	41,072,852	3.42	1,202,239,911	11,593,421

1. A vote withheld is not a vote in law.
2. Binding vote. Policy to apply until 2021.
3. Advisory vote.

The Committee welcomed the endorsement of the DRR by shareholders and took steps, wherever practicable, to understand shareholders' concerns when withholding their support.

At the 2019 AGM, shareholders will be invited to vote on the Annual Remuneration Report for 2017-2018 (advisory vote) and on the approval for the Company to pay each of its non-executive directors the full fee payable for each role they perform for the Company without reference to the annual fee cap of £125,000.

On behalf of the Board



**Carol Arrowsmith**

Chairman of the Remuneration Committee

20 November 2018

**OTHER STATUTORY DISCLOSURES**

This Directors' Report forms part of the management report as required under DTR 4. The company has chosen, in accordance with Section 414 C(11) of the CA 2006, and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. The Strategic Report can be found on pages 1 to 43 and includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy. The Corporate Governance Report on pages 44 to 100, the Other Statutory Disclosures on pages 94 to 100 and the Directors' Responsibilities Statement on page 101 are incorporated into the Directors' Report by reference.

Specifically, the following disclosures have been included elsewhere within the Annual Report and are incorporated into the Directors' Report by reference.

DISCLOSURE	PAGE
Going concern	34
Viability statement	34
Risk management	35
Carbon emissions	42

**DIRECTORS**

Particulars of the directors in office at the date of this Report are listed on pages 49 to 51. In accordance with the Code, each director will retire and submit himself or herself for election or re-election at the 2019 AGM.

There were a number of changes to the composition of the Board and its committees during the year.

On 31 December 2017 Richard Cousins, who was due to retire from the Board on 1 April 2018, died unexpectedly and Dominic Blakemore's appointment as Group CEO was advanced from 1 April 2018 to 1 January 2018. Dominic joined the Nomination and Corporate Responsibility Committees on his appointment as Group CEO. On 31 May 2018, Don Robert stepped down as a non-executive director and the SID, having spent just over nine years on the Board. On 1 June 2018, Don was succeeded as the SID by John Bason. Anne-Francoise Nesmes and John Bryant were appointed as non-executive directors effective 1 July and 1 September 2018 respectively; on appointment both non-executive directors joined the Audit, Corporate Responsibility, Nomination and Remuneration Committees as members. Johnny Thomson will step down as Group Finance Director on 31 December 2018. As announced on 1 November 2018, Karen Witts will join the Board as Group CFO on 8 April 2019.

**RESULTS AND DIVIDENDS**

In the year ended 30 September 2018, the Group delivered an underlying profit before tax of £1,627 million (2017: £1,591 million), an increase of 2.3%; and a statutory profit before tax of £1,520 million (2017: £1,560 million), a decrease of 2.6%. A summary of the dividends on ordinary shares for the year ended 30 September 2018 compared with 2017 is shown below:

YEAR	DIVIDEND	PENCE PER SHARE
2018	Interim	12.3
2018	Final (recommended) <sup>1</sup>	25.4
<b>2018</b>	<b>Total</b>	<b>37.7</b>
2017	Special	61.0
<b>2017</b>	<b>Subtotal</b>	<b>61.0</b>
2017	Interim	11.2
2017	Final	22.3
<b>2017</b>	<b>Subtotal</b>	<b>33.5</b>
<b>2017</b>	<b>Total</b>	<b>94.5</b>

1. To be paid gross to holders of ordinary shares of 11½ pence. A dividend reinvestment plan (DRIP) is available. The latest date for receipt of elections for the DRIP is 4 February 2019.

The 2018 interim dividend of 12.3 pence per existing ordinary share (2017: 11.2 pence) was paid to shareholders on 30 July 2018.

Payment of the recommended final dividend for the year ended 30 September 2018, if approved at the 2019 AGM, will be made on 25 February 2019 to shareholders registered at the close of business on 18 January 2019. The shares will be quoted ex-dividend from 17 January 2019.

During the year, the trustees of each of the employee benefit trusts which operate in connection with the Company's share plans waived their rights to receive dividends on any shares held by them. Details of the trusts can be found on page 96 of this Report. The value of dividends waived during the year ended 30 September 2018 in relation to the trusts was £5,389 (2017: £15,113).

At the date of this Report, there were 5,669,201 11½ pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under the Company's employee equity incentive schemes. Shares held in treasury are not entitled to receive dividends. Therefore, £2,152,339 (2017: £8,262,774) worth of dividends were not paid during the financial year in relation to treasury shares. A dividend reinvestment plan is available to eligible shareholders. Details can be found on page 190.



## SHARE CAPITAL

### GENERAL

At the date of this Report, 1,589,736,625 ordinary shares of 11 $\frac{1}{20}$  pence each (of which 5,669,201 are held in treasury) have been issued, are fully paid up and are quoted on the London Stock Exchange. The total voting rights attaching to the issued ordinary share capital (excluding treasury shares) at the date of this Report is 1,584,067,424. In addition, the Company sponsors a Level I American Depositary Receipts programme with BNY Mellon, under which the Company's shares are traded on the over the counter market in the form of American Depositary Shares.

During the year ended 30 September 2018, 464,214 options were exercised and 2,108,092 awards released pursuant to the Company's share option schemes and long term incentive plans. All options exercised and awards released were satisfied by the reissue of 2,556,731 treasury shares, and the release of 15,575 shares from the Compass Group Long Term Incentive Plan Trust. A further 2,244 treasury shares have been used to satisfy awards under these schemes since the end of the financial year to the date of this Report.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the EU Market Abuse Regulation, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

More detailed information relating to the rights and obligations attaching to the Company's ordinary shares, in addition to those conferred by law, are set out in the Company's Articles of Association, which are available on the Company's website as well as on pages 24 and 25 of the Annual Report for the year ended 30 September 2007. The 2007 Annual Report is available on the Company's website at [www.compass-group.com](http://www.compass-group.com).

### REPURCHASE OF SHARES

No shares were repurchased between 1 October 2017 and 30 September 2018. No further shares have been repurchased in the period from 1 October 2018 to the date of this Report.

As at the date of this Report, there are 1,589,736,625 ordinary shares of 11 $\frac{1}{20}$  pence in issue of which 5,669,201 ordinary shares of 11 $\frac{1}{20}$  pence are held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

Returns to shareholders continue to be an integral part of our business model and the Group's cash flow generation remains excellent. Our priorities for how we use our cash are to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) pursue M&A opportunities; our preference is for small to medium sized bolt-on acquisitions, where we look for returns greater than our cost of capital by the end of year two; (iii) grow the dividend in line with underlying constant currency earnings per share; and (iv) maintain strong investment grade credit ratings returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

At the 2019 AGM, a special resolution will be proposed to renew the directors' limited authority to repurchase ordinary shares in the market, last granted at the 2018 AGM. Retaining the ability to repurchase shares allows the Board the flexibility of electing to repurchase shares where this is the most effective method of returning cash to shareholders, or to fund bolt-on acquisitions. The directors consider it desirable for this general authorisation to be renewed in order to assist in maintaining the most efficient capital structure for the business.

The authority sets the minimum and maximum prices which may be paid and it will be limited to a maximum of 10% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM. Any purchases of ordinary shares will be by means of market purchases through the London Stock Exchange and any shares purchased may be cancelled or placed into treasury in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

## ISSUE OF SHARES

At the 2019 AGM, the directors will ask shareholders to renew the authority last granted to them at the 2018 AGM to allot equity shares representing approximately one third of the issued ordinary shares calculated at the latest practicable date prior to the publication of the Notice of AGM (the section 551 authority) and, in accordance with the Investment Association Share Capital Management Guidelines, the directors again propose to extend this by a further one third of the Company's issued ordinary share capital, provided that such amount shall only be used in connection with a rights issue. If approved, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the AGM to be held in 2020, whichever is the sooner.

The limited power granted to the directors at the 2018 AGM to allot equity shares for cash, other than pro rata to existing shareholders, expires no later than 7 May 2019. Subject to the terms of the section 551 authority, this authority is in line with the Statement of Principles on Pre-emption Rights issued by the Pre-emption Group and supported by the Investment Association and the Pensions and Lifetime Savings Association (the Principles). If granted, this authority will give the directors the ability (until the AGM to be held in 2020) to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5% of the issued ordinary share capital (whether or not in connection with an acquisition or specified capital investment) calculated at the latest practicable date prior to the publication of the Notice of AGM. In accordance with the Principles, the directors propose to extend this by an additional 5% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM, provided that the additional authority would only be used for the purpose of an acquisition or a specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. In line with recommended best practice, the Company has split the disapplication of pre-emption rights authority into two separate resolutions. The first resolution seeks authorisation for 5% of the issued ordinary share capital to be issued on an unrestricted basis, whilst the second resolution seeks authority for an additional 5% of the issued ordinary share capital to be used for an acquisition or a specified capital investment.

Also, in line with best practice, the Company has not issued more than 7.5% of its issued ordinary share capital on a non-prorated basis over the last three years. The directors have no present intention to issue ordinary shares, other than pursuant to the Company's employee equity incentive share schemes, and this authority will maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities, should appropriate circumstances arise.

Details of repurchases into treasury shares and the reissue of treasury shares made during the year, together with details of options granted over unissued capital, are set out in the consolidated financial statements on pages 157 to 159.

## SUBSTANTIAL SHAREHOLDINGS

The following major shareholdings have been notified to the Company as at 30 September 2018 and up to the date of this Report.

	% OF ISSUED CAPITAL <sup>1</sup>	% OF COMPASS GROUP PLC'S VOTING RIGHTS <sup>1</sup>
Blackrock, Inc.	9.99	9.99
Invesco Limited	4.95	4.95
Massachusetts Financial Services Company	9.96	9.96

1. At the date of disclosure.

Since the disclosure date, the shareholders' interests in the Company may have changed.

The number of shares held by the directors as at 30 September 2018 can be found on page 92 in the Directors' Remuneration Report.

## EMPLOYEE SHARE TRUSTS

The Compass Group Employee Share Trust (ESOP) and The Compass Group Employee Trust Number 2 (CGET) were established on 13 January 1992 and 12 April 2001 respectively in connection with the Company's share option plans. The CGET was closed on 30 August 2018. The Compass Group Long Term Incentive Plan Trust (LTIPT) was established on 5 April 2001 in connection with the Company's long term incentive plans.

Details of all employee equity incentive schemes are set out in the Directors' Remuneration Report on pages 71 to 93. The trustees of the ESOP and LTIPT hold nil (2017: nil) and nil (2017: 15,575) ordinary shares of the Company respectively. At the date of its closure, the trustees of the CGET held nil ordinary shares of the Company (2017: nil).

The Compass Group Executive Option Share Trust and The Compass Group Executive Share Trust were established on 15 and 22 February 2010 respectively in relation to the operation of equity incentive schemes in Australia. No ordinary shares were held by these trusts as at 30 September 2018 (2017: nil).

## AWARDS UNDER EMPLOYEE SHARE SCHEMES

Details of awards made during the year and held by executive directors as at 30 September 2018 are set out in the Directors' Remuneration Report on pages 71 to 93.

Details of employee equity incentive schemes and grants made during the year ended 30 September 2018, and extant awards held by employees are disclosed in the consolidated financial statements on pages 157 to 159.

## EMPLOYEE POLICIES AND INVOLVEMENT

The Group places particular importance on the involvement of its employees, keeping them regularly informed through informal bulletins and other in-house publications, meetings and the Company's internal websites, on matters affecting them as employees and on the issues affecting their performance. Group businesses in the European Economic Area (EEA) are represented on Compass Group's European Works Council (EWC), which provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues affecting those countries in the EEA. Employees from across the Group's EEA business have been elected to employee representative roles on the EWC.

Eligible employees in the UK are invited to join the Company's defined contribution pension arrangement, Compass Retirement Income Savings Plan (CRISP). CRISP has a corporate trustee.

The Chairman, Nigel Palmer, is a former employee of the Group. The other five trustee directors are UK based employees of the Group, three of whom have been nominated by CRISP members.

Those UK employees who transferred from the public sector under TUPE were, typically up until 31 March 2015, eligible to join the Compass Group Pension Plan (the Plan), a defined benefit pension arrangement which is otherwise closed to new entrants. However, under the Government's revised guidance for 'Fair Deal for staff pensions', the expectation is and therefore the approach has been that the Group participate in the relevant public-sector pension scheme and close the Plan to future entrants. The Plan also has a corporate trustee. Philip Whittome is the independent Chairman. There are a further six trustee directors, five of whom are either UK based employees or former employees of the Group (three of whom have been nominated by Plan members), and the sixth is an independent trustee director.

The Company is subject to the Pension Automatic Enrolment Regulations for its workforce in the UK. Both the Plan and CRISP are compliant arrangements under these regulations and have been registered as such. All new UK employees who meet the statutory eligibility criteria, and who do not join the Plan or CRISP, are automatically enrolled into the National Employment Savings Trust (NEST). Responsibility for the Group's ongoing compliance with the pension automatic enrolment regulations and for ensuring that the chosen routes for the administration and investment of funds relating to automatic enrolment remain appropriate lies with the Group's Pension Automatic Enrolment Governance Committee.

Permanent employees outside the UK are usually offered membership of local pension arrangements if and where they exist and where it is appropriate to have Company sponsored arrangements.

Employees are offered a range of benefits, such as private medical cover, depending on the local environment. Priority is given to the training of employees and the development of their skills. Employment of people with disabilities is considered on merit with regard only to the ability of any applicant to carry out the role. Arrangements to enable people with disabilities to carry out the duties required will be made if it is reasonable to do so. An employee becoming disabled would, where appropriate, be offered retraining.

The Group continues to operate on a decentralised basis. This provides the maximum encouragement for the development of entrepreneurial flair, balanced by a rigorous control framework exercised by a small head office team. Local management teams are responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision making.

## NON-FINANCIAL REPORTING DIRECTIVE

The EU Non-Financial Reporting Directive (the Directive) was implemented into English law as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 last year. It requires companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity. The Audit Committee, which advises the Board on such matters, has concluded that the Company is compliant with the Directive and has included the necessary disclosures in this Report.

Throughout this Annual Report the directors have disclosed a mix of financial and non-financial KPIs which they believe best reflect the Group's strategic priorities; and which will help to convey an understanding of the culture of the business and the drivers which contribute to the ongoing success of the Company. Please see the non-financial information statement on page 100 which sets out where stakeholders can find information relating to non-financial matters.

## EMPLOYEE DIVERSITY AND HUMAN RIGHTS

Our Code of Ethics was developed in consultation with the EWC and the Institute of Business Ethics and sets out clear standards of behaviour that we expect all of our people to demonstrate and adhere to. The Code of Ethics, which is part of our CBC, underpins our social, ethical and environmental commitments and sends a clear message to our stakeholders of our commitment to responsible business practice. The 10 principles of the United Nations (UN) Global Compact, to which we are a signatory, underpin our own Code of Ethics. This UN initiative encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda. Our annual Communication on Progress can be viewed at [www.unglobalcompact.org](http://www.unglobalcompact.org).

Our people are instrumental in our success; we respect and value the individuality and diversity that every employee brings to the Group. We base our relationship with our employees on respect for the dignity of the individual and fair treatment for all. In October 2018, the Company published its third statement in accordance with the requirements of the Modern Slavery Act 2015, details of which can be found on the website at [www.compass-group.com](http://www.compass-group.com).

As at 30 September 2018, there were 595,841 (2017: 588,112) people employed by the Group (average number of employees including directors and part-time employees) of whom 337,962 were female (2017: 323,462) and 257,879 were male (2017: 264,650). 728 were senior managers, 537 male, 191 female (2017: 602 male, 192 female), which includes members of our global leadership team and statutory directors of corporate entities whose financial information is consolidated in the Group's accounts in this Annual Report. As at 30 September 2018 there were 11 directors, eight of whom were male and three were female. Prior to any appointment to the Board, the Nomination Committee gives due regard to diversity and gender with a view to recommending the appointment of the most suitable candidate for the role.

We seek to create a positive, open working environment wherever we operate. Our employee policies are set locally to comply with local law within an overall Group framework and we monitor our employee satisfaction and engagement through a number of key performance indicators.

We also consider the concerns of wider communities where we operate, including national and local interests, utilising our relevant expertise to help contribute to the wellbeing of communities which are appropriate to our business objectives. Furthermore, the Group supports the rights of all people as set out in the UN Universal Declaration of Human Rights (UN Declaration) and considers carefully before doing any business in countries that do not adhere to the UN Declaration.

## GREENHOUSE GAS EMISSIONS REPORTING

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 September 2018 are set out within the Corporate Responsibility section of the Strategic Report on page 42 and form part of the Directors' Report disclosures and are incorporated by reference. Further details of the actions which the Group is taking to reduce emissions can also be found at [www.compass-group.com](http://www.compass-group.com). This Annual Report is certified carbon neutral by sponsoring a cause to offset against the emissions arising from the production, printing and delivery of this Report. This year, the Company has participated in a project in Brazil which aims to prevent deforestation and protect one of the world's most biodiverse habitats.

## DONATIONS AND POLITICAL EXPENDITURE

Charitable objectives support the Company's CR strategy and have primarily focused on improving the environment, education, health and wellbeing, community engagement and responsible business practice. Donations have included employee involvement through fundraising and financial support.

GROUP CHARITABLE DONATIONS	€M
<b>2018</b>	<b>11.0</b>
2017	8.3

Since 2004, shareholders have passed an annual resolution, on a precautionary basis, to approve donations to EU political organisations and to incur EU political expenditure (as such terms were defined under the then relevant legislation) not exceeding a monetary limit approved by shareholders. The Board has consistently confirmed that it operates a policy of not giving any cash contribution to any political party in the ordinary meaning of those words and that it has no intention of changing that policy.

No material amount of corporate funds or paid employee time has been utilised during the year for political activities and, in accordance with the Company's CBC, employees must not engage in any form of lobbying or have contact with political representatives, government employees or public interest groups unless they are doing so legitimately and adhering to internal control processes. Further information regarding the CBC can be found on page 61 of this Annual Report and on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The directors propose to renew the authority granted at the 2018 AGM for the Group to make political donations and incur political expenditure (as such terms are defined in sections 362 to 365 of the CA 2006) until the Company's next AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006 and which would not amount to 'donations' in the ordinary sense of the word. It is proposed to maintain the limit of such authority at £100,000.

## COMMUNICATING WITH SHAREHOLDERS

The Company places considerable importance on communication with its shareholders, including its private shareholders. The Group CEO and the Group Finance Director are closely involved in investor relations and a senior executive has day to day responsibility for such matters. The views of the Company's major shareholders are reported to the Board by the Group CEO and the Group Finance Director as well as by the Chairman (who remains in contact with our largest shareholders) and are discussed at its meetings.

There is regular dialogue with institutional shareholders, and private shareholders at the AGM. Contact with institutional shareholders (and with financial analysts, brokers and the media) is controlled by written guidelines in the Company's Corporate Communications Code and Market Soundings Policy, in compliance with EU Market Abuse Regulation requirements to ensure the continued protection of share price sensitive information that has not already been made generally available to the Company's shareholders. Contact is also maintained, when appropriate, with shareholders to discuss overall remuneration plans and policies.

The primary method of communicating with shareholders is by electronic means, helping to make the Company more environmentally friendly by reducing waste and pollution associated with the production and posting of its Annual Report. The Annual Report is available to all shareholders and can be accessed via the Company's website at [www.compass-group.com](http://www.compass-group.com). The Group's annual and interim results are also published on the Company's website, together with all other announcements and documents issued to the market, such as statements, interviews and presentations by the Group CEO and Group Finance Director.

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting and it is Company policy not to combine resolutions to be proposed at general meetings. All shareholders are invited to the Company's AGM at which they have the opportunity to put questions to the Board and it is standard practice to have the chairmen of the Audit, Corporate Responsibility, Nomination and Remuneration Committees available to answer questions. The results of proxy voting for and against each resolution, as well as abstentions, are announced to the London Stock Exchange and are published on the Company's website as soon as practicable after the meeting. Further shareholder information is available on pages 190 to 192.

## CREST

The Company's ordinary shares and sterling Eurobonds are in CREST, the settlement system for stocks and shares.

## DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 which have not already been disclosed elsewhere in this Report. Details of long term incentive plans can be found in the Directors' Remuneration Report on pages 71 to 93 and details of dividends waived by shareholders can be found on page 94.

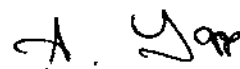
## SHAREHOLDER SERVICES

Details of services provided to shareholders can be found in the Shareholder Information section on pages 190 to 192 and on the Company's website.

## AGM

The Notice of Meeting setting out the resolutions to be proposed at the 2019 AGM, together with explanatory notes, is set out on pages 193 to 201 of this Annual Report and is also available at [www.compass-group.com](http://www.compass-group.com). The directors consider that each of the resolutions is in the best interests of the Company and the shareholders as a whole and recommend that shareholders vote in favour of all of the resolutions.

On behalf of the Board



**Alison Yapp**  
Group General Counsel and Company Secretary

20 November 2018

Compass Group PLC  
Registered in England and Wales No. 4083914

## NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters detailed under section 414CB of the Companies Act 2006.

REPORTING REQUIREMENT	SOME OF OUR RELEVANT POLICIES <sup>1</sup>	WHERE TO READ MORE IN THIS REPORT ABOUT OUR IMPACT, INCLUDING THE PRINCIPAL RISKS RELATING TO THESE MATTERS	PAGE
<b>Environmental matters</b>	Sustainability Strategy Environmental Policy Statement	Corporate Responsibility: Our Strategy and Approach	38-43
		Commitment to United Nations' Sustainable Development Goals	43
		GHG Emissions	42
<b>Employees</b>	Code of Business Conduct Workplace Health & Safety Policy Statement	Who we create value for – People	13
		Chief Executive's review – People	15
		People Report – A renewed commitment	26-27
		Principal Risks – Health and Safety, People	36-37
		Safety culture	40, 65
<b>Human rights</b>	Code of Business Conduct Code of Ethics Modern Slavery Act Transparency Statement Human Rights Policy Statement	Our Standards	61
		Slavery and Human Trafficking	66
		Employee diversity and Human rights	98
<b>Social matters</b>	Social Purpose	Who we create value for – Purpose	16
		Chief Executive's review – Purpose	14-25
		Our Social Purpose: a commitment to safety and sustainability	40
<b>Anti-bribery and corruption</b>	Code of Business Conduct Code of Ethics Group 'Speak Up' Policy Supply Chain Integrity Policy Statement	Our values guide our actions and behaviours	11
		Principal Risks – Compliance and Fraud	36-37
		Our Standards	61
		Supply Chain Integrity Policy Statement	65
<b>Business model</b>		Our Business Model	10-13
<b>Non-financial KPIs</b>		Global Lost Time Incident Frequency Rate	2, 42
		Global Food Safety Incident Rate	2, 42
		Greenhouse gas intensity ratio	2, 42
		Sites offering healthy eating programmes	2, 42
		Carbon Disclosure Project	42
		Women in global leadership team	42
<b>Principal risks</b>		Identifying and Managing Risk	35-37

1. The Company's policies, statements and codes are available at [www.compass-group.com](http://www.compass-group.com).

## Directors' responsibilities

The Annual Report and Accounts complies with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the UK Corporate Governance Code in respect of the requirements to produce an annual financial report.

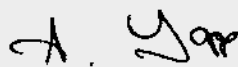
The Annual Report and Accounts is the responsibility of, and has been approved by, the directors.

We confirm that to the best of our knowledge:

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

The directors have permitted the auditor to undertake whatever inspections it considers to be appropriate for the purpose of enabling the auditor to give its audit opinion.

On behalf of the Board



**Alison Yapp**  
Group General Counsel and Company Secretary

20 November 2018

## Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

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

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

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



# Independent auditor's report to the members of Compass Group PLC

## 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Compass Group PLC ("the Company") for the year ended 30 September 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet and the Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in notes A to T of the Group financial statements and A to L of the Parent Company financial statements.

### 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 30 September 2018 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, including FRS 101 'Reduced Disclosure Framework'; 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.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 14 March 2014. The period of total uninterrupted engagement is for the five financial years ended 30 September 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## OVERVIEW

<b>Materiality:</b>	£74.0 million (2017: £65.0 million)
Group financial statements as a whole	4.9% (2017: 4.2%) of Group profit before tax
<b>Coverage</b>	97% (2017: 97%) of Group profit before tax
<b>Risks of material misstatement versus 2017</b>	
<b>Recurring risks</b>	Taxation – uncertain direct tax provisions
	Supplier rebates & discounts
	Parent Company financial statements: Valuation of investments and recoverability of intercompany receivables

## 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



	THE RISK	OUR RESPONSE
<p><b>Taxation – uncertain direct tax provisions</b></p> <p>Refer to page 59 (Governance and Directors' Report), pages 116 and 118 (accounting policy) and pages 129 to 130 and page 164 (financial disclosures).</p>	<p><b>Subjective estimate:</b></p> <p>The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing.</p> <p>As a result of the complexities of tax rules on transfer pricing and other tax legislation the provisioning for uncertain direct tax positions is judgemental and requires the directors to make estimates in relation to these uncertainties.</p> <p>The directors' estimation includes assessing the likelihood of potentially material exposures as a result of changes in local tax regulations and evaluating ongoing inspections by local tax authorities and international bodies, which could materially impact the amounts recorded in the Group financial statements. In 2018 this included evaluating the impact of the European Commission's state aid investigation into the UK CFC legislation.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place to identify and quantify its uncertain direct tax exposures;</li> <li>• <b>Our taxation expertise:</b> With the assistance of our tax specialists, we analysed and challenged the assumptions used to determine provisions using our knowledge and experience of the application of international and local legislation by the relevant authorities and courts, and assessing whether the approach applied by the Group is supported by custom and practice;</li> <li>• With the help of our tax specialists we considered whether the judgements applied to each significant provision including the maximum potential exposure and the likelihood of a payment being required were appropriate;</li> <li>• <b>Test of detail:</b> Examining the calculations prepared by the directors and agreeing key assumptions used to underlying data;</li> <li>• Inspecting correspondence with relevant tax authorities and assessing third party tax advice received to evaluate the conclusions drawn in the advice where relevant to the significant exposures faced by the Group and how these have been used by management in their assessment of the likelihood of any outflow and estimate of the provision; and</li> <li>• <b>Assessing transparency:</b> Assessing the adequacy of the Group's disclosures in respect of tax and uncertain direct tax positions.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the level of provisioning in respect of uncertain direct tax positions to be acceptable.</li> </ul>
<p><b>Supplier rebates and discounts</b></p> <p>Refer to page 59 (Governance and Directors' Report) and page 118 (accounting policy).</p>	<p><b>Rebates and discounts processing error:</b></p> <p>The Group has a variety of agreements with suppliers whereby rebates and discounts are earned based on the quantity of goods bought.</p> <p>The majority of the rebates and discounts due to the Group are reflected in the net price charged by its suppliers or are based on fixed percentages linked to the quantity of goods bought. There is little estimation or judgement involved in determining the timing and amount to be recognised. However, due to the large number of agreements in place across numerous jurisdictions within the Group, the complexity of transaction processing as well as supplier rebate periods frequently not being coterminous with the year end date, we consider that there is a risk of error.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place over the accounting for supplier rebates and discounts;</li> <li>• <b>Accounting application:</b> Inspecting underlying contractual terms and supplier correspondence for a selection of arrangements in place and considering whether the accounting policy had been applied appropriately to the terms of the rebate and/or discount;</li> <li>• <b>Test of details:</b> Performing detailed testing on a sample basis of the largest rebates and discounts recognised in the period, with particular attention to the period in which the rebate was recognised and rebates and discounts accrued at the year-end; and</li> <li>• In addition we selected a sample of amounts invoiced as at the balance sheet date and agreed the underlying calculation to contractual terms and supplier correspondence.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• The results of our testing were satisfactory and we found the amount of supplier rebates and discounts recognised to be acceptable.</li> </ul>

	THE RISK	OUR RESPONSE
<b>Parent Company financial statements:</b>	<b>Low risk, high value</b>	<b>Our procedures included:</b>
Valuation of investments and recoverability of intercompany receivables	The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 94% (2017: 99%) of the Company's total assets.	<ul style="list-style-type: none"> <li>• <b>Test of details:</b> Comparing a sample of the investment and intercompany receivables' carrying value to the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset value, being an approximation of the minimum recoverable amount, was in excess of their carrying amount;</li> <li>• <b>Assessing subsidiary net assets:</b> For the relevant subsidiaries (investment holding companies), we compared the net assets of the relevant subsidiary to the final net assets in the prior year audited financial statements. Based on the knowledge acquired during the audit of the consolidated Group, including reporting received from component auditors for the underlying trading operations, we considered whether there were any events indicating that the net assets would be materially different from the prior year position;</li> <li>• <b>Test of details:</b> Where the net assets of the relevant subsidiary were insufficient to support the carrying value we considered the performance of the underlying investments held by the relevant subsidiary in order to assess whether there was an indication of impairment;</li> <li>• <b>Our sector experience:</b> In addition, for certain investments and receivables, we evaluated the assumptions used in the applicable impairment model, in particular those relating to forecast profit growth, using our knowledge and historic experience of the profitability of the underlying trading Group; and</li> <li>• <b>Benchmarking assumptions:</b> We compared the assumptions in the applicable impairment model for the investment to externally derived data in relation to projected economic growth and discount rates.</li> </ul>
Investments £1,035 million (2017: £1,017 million)	We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement.	
Intercompany receivables £10,035 million (2017: £9,909 million)	However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.	
		<b>Our results</b>
		<ul style="list-style-type: none"> <li>• We found the assessment of the carrying value of investments and the recoverability of intercompany receivables to be acceptable.</li> </ul>

### 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £74.0 million (2017: £65.0 million), determined with reference to a benchmark of Group profit before tax of £1.5 billion (2017: £1.6 billion), of which it represents 4.9% (2017: 4.2%).

Materiality for the Parent Company financial statements as a whole was set at £52.3 million (2017: £52.3 million), determined with reference to a benchmark of total assets of which it represents 0.4% (2017: 0.5%).

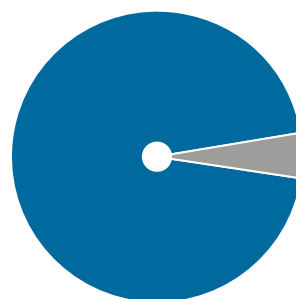
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3.7 million (2017: £3.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 54 (2017: 54) reporting components, we subjected 28 (2017: 28) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated on the next page.

#### GROUP PROFIT BEFORE TAX

£1.5 billion  
(2017: £1.6 billion)



● Group profit before tax  
● Group materiality

#### GROUP MATERIALITY

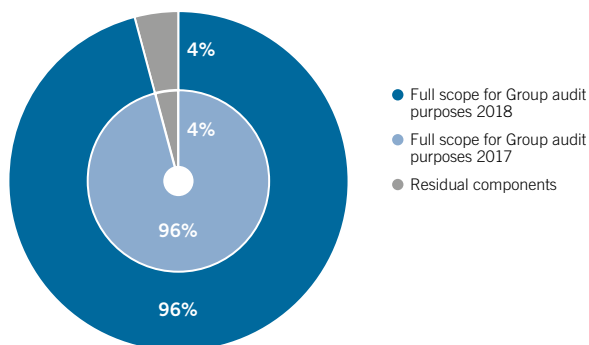
£74.0 million  
(2017: £65.0 million)

**£74 million**  
Whole financial statements materiality (2017: £65.0 million)

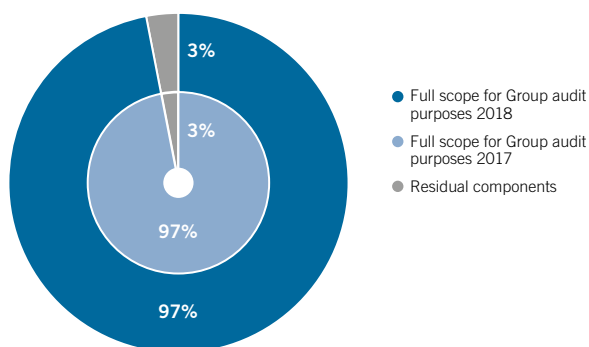
**£59 million**  
Range of materiality at 28 components (£1 million to £59 million) (2017: £0.7 million to £52.3 million)

**£3.7 million**  
Misstatements reported to the Audit Committee (2017: £3.3 million)

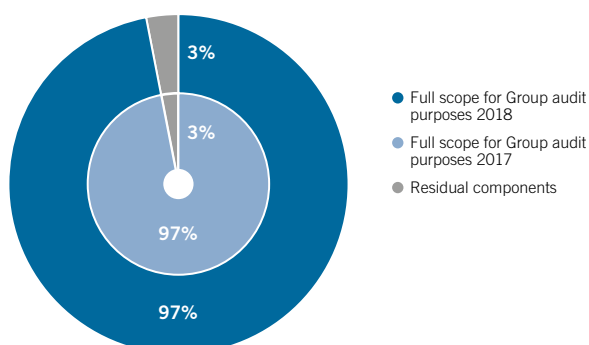
## GROUP REVENUE (%)



## GROUP PROFIT BEFORE TAX (%)



## GROUP TOTAL ASSETS (%)



The remaining 4% (2017: 4%) of total Group revenue, 3% (2017: 3%) of Group profit before tax and 3% (2017: 3%) of total Group assets is represented by 26 reporting components (2017: 26 components), none of which individually represented more than 0.6% (2017: 0.5%) of any of total Group revenue, Group profit before tax or total Group assets. For these residual 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 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 team approved the component materialities, which ranged from £1m to £59m (2017: £0.7m to £52.3m), having regard to the mix of size and risk profile of the Group across the components. The work on 25 of the 28 components (2017: 25 of 28 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team visited 8 (2017: 13) component locations in Canada, China, France, Japan, Turkey, Spain, US and the UK (2017: Australia, Brazil, China, Chile, France, Japan, Kazakhstan, Mexico, Portugal, South Africa, UAE, US and the UK) to assess the audit risk and strategy and direct the audit work of component auditors.

Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited.

At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

## 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note A to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 34 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

## 5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### DIRECTORS' REMUNERATION REPORT

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

## CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## 6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

We have nothing to report in these respects.

## 7. RESPECTIVE RESPONSIBILITIES

### DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 101, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so. In addition the directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### IRREGULARITIES – ABILITY TO DETECT

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence as necessary.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of compliance of business practices with the UK Bribery Act, Employment Law, Health and Safety and certain aspects of company legislation recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of relevant regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities) as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

## 8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Anthony Sykes**  
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, London E14 5GL

20 November 2018

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2018

	NOTES	2018 £M	2017 £M
<b>Combined sales of Group and share of equity accounted joint ventures</b>	1	<b>23,239</b>	22,852
Less: share of sales of equity accounted joint ventures	11	<b>(275)</b>	(284)
<b>Revenue</b>		<b>22,964</b>	22,568
Operating costs	2	<b>(21,324)</b>	(20,945)
<b>Operating profit before joint ventures and associates</b>		<b>1,640</b>	1,623
Share of profit after tax of joint ventures and associates	1,11	<b>50</b>	42
<b>Operating profit</b>	1	<b>1,690</b>	1,665
<b>Underlying operating profit<sup>1</sup></b>	1	<b>1,741</b>	1,705
Amortisation of intangibles arising on acquisition	9	<b>(44)</b>	(39)
Acquisition transaction costs	23	<b>(4)</b>	(2)
Adjustment to contingent consideration on acquisition		<b>(1)</b>	3
Tax on share of profit of joint ventures	1	<b>(2)</b>	(2)
Net loss on sale and closure of businesses	23	<b>(58)</b>	–
Finance income	4	<b>6</b>	6
Finance costs	4	<b>(120)</b>	(120)
Other financing items	4	<b>2</b>	9
<b>Profit before tax</b>	5	<b>1,520</b>	1,560
Income tax expense	5	<b>(387)</b>	(389)
<b>Profit for the year</b>		<b>1,133</b>	1,171
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company	6	<b>1,125</b>	1,161
Non-controlling interests		<b>8</b>	10
<b>Profit for the year</b>		<b>1,133</b>	1,171
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>71.0p</b>	71.3p
<b>DILUTED EARNINGS PER SHARE (PENCE)</b>	6	<b>71.0p</b>	71.3p

1. Underlying operating profit excludes amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition, but includes share of profit after tax of associates and operating profit of joint ventures. The reconciliation between statutory and underlying results is provided in note 32.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	NOTES	2018 £M	2017 £M
<b>Profit for the year</b>		<b>1,133</b>	1,171
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Remeasurement of post employment benefit obligations – gain	20	<b>68</b>	125
Return on plan assets, excluding interest income – gain/(loss)	20	<b>21</b>	(96)
Tax on items relating to the components of other comprehensive income	5	<b>(30)</b>	(8)
		<b>59</b>	21
<b>Items that may be reclassified subsequently to the income statement</b>			
Currency translation differences		<b>(76)</b>	(47)
<b>Total other comprehensive loss for the year</b>		<b>(17)</b>	(26)
<b>Total comprehensive income for the year</b>		<b>1,116</b>	1,145
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company		<b>1,108</b>	1,135
Non-controlling interests		<b>8</b>	10
<b>Total comprehensive income for the year</b>		<b>1,116</b>	1,145

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY						TOTAL £M
	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	OTHER RESERVES £M	RETAINED EARNINGS £M	NON-CONTROLLING INTERESTS £M	
At 1 October 2017	176	182	295	4,320	(2,875)	22	2,120
Profit for the year	-	-	-	-	1,125	8	1,133
<b>Other comprehensive income</b>							
Currency translation differences	-	-	-	(76)	-	-	(76)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	68	-	68
Return on plan assets, excluding interest income – gain	-	-	-	-	21	-	21
Tax on items relating to the components of other comprehensive income (note 5)	-	-	-	(1)	(29)	-	(30)
Total other comprehensive (loss)/income	-	-	-	(77)	60	-	(17)
Total comprehensive (loss)/income for the year	-	-	-	(77)	1,185	8	1,116
Fair value of share-based payments (note 22)	-	-	-	21	-	-	21
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	(5)	4	(1)
Tax on items taken directly to equity (note 5)	-	-	-	-	1	-	1
Change in the fair value of non-controlling interest put options	-	-	-	(56)	-	-	(56)
Other changes	-	-	-	-	(4)	-	(4)
	176	182	295	4,208	(1,698)	34	3,197
Dividends paid to Compass shareholders (note 7)	-	-	-	-	(548)	-	(548)
Dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
At 30 September 2018	176	182	295	4,208	(2,246)	25	2,640

	SHARE-BASED PAYMENT RESERVE £M	MERGER RESERVE £M	REVALUATION RESERVE £M	TRANSLATION RESERVE £M	ADJUSTMENT FOR NON-CONTROLLING INTEREST PUT OPTIONS RESERVE £M	TOTAL OTHER RESERVES £M
<b>OTHER RESERVES</b>						
At 1 October 2017	211	4,170	7	(53)	(15)	4,320
<b>Other comprehensive income</b>						
Currency translation differences	-	-	-	(76)	-	(76)
Tax on items relating to the components of other comprehensive income (note 5)	-	-	-	(1)	-	(1)
Total other comprehensive loss	-	-	-	(77)	-	(77)
Fair value of share-based payments (note 22)	21	-	-	-	-	21
Change in the fair value of non-controlling interest put options	-	-	-	-	(56)	(56)
At 30 September 2018	232	4,170	7	(130)	(71)	4,208

The merger reserve arose in 2000 following the demerger from Granada Compass plc.



	ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY						TOTAL £M
	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	OTHER RESERVES £M	RETAINED EARNINGS £M	NON-CONTROLLING INTERESTS £M	
At 1 October 2016	176	182	295	4,359	(2,507)	15	2,520
Profit for the year	-	-	-	-	1,161	10	1,171
<b>Other comprehensive income</b>							
Currency translation differences	-	-	-	(47)	-	-	(47)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	125	-	125
Return on plan assets, excluding interest income – loss	-	-	-	-	(96)	-	(96)
Tax on items relating to the components of other comprehensive income (note 5)	-	-	-	(1)	(7)	-	(8)
Total other comprehensive (loss)/income	-	-	-	(48)	22	-	(26)
Total comprehensive (loss)/income for the year	-	-	-	(48)	1,183	10	1,145
Fair value of share-based payments (note 22)	-	-	-	21	-	-	21
Use of treasury shares to satisfy employee share scheme awards	-	-	-	(3)	-	-	(3)
Tax on items taken directly to equity (note 5)	-	-	-	-	3	-	3
Share buyback <sup>1</sup>	-	-	-	-	(19)	-	(19)
Other changes	-	-	-	(9)	(1)	10	-
	176	182	295	4,320	(1,341)	35	3,667
Dividends paid to Compass shareholders (note 7)	-	-	-	-	(1,534)	-	(1,534)
Dividends paid to non-controlling interests	-	-	-	-	-	(13)	(13)
At 30 September 2017	176	182	295	4,320	(2,875)	22	2,120

1. Including stamp duty and brokers' commission.

	SHARE-BASED PAYMENT RESERVE £M	MERGER RESERVE £M	REVALUATION RESERVE £M	TRANSLATION RESERVE £M	ADJUSTMENT FOR NON-CONTROLLING INTEREST PUT OPTIONS RESERVE £M	TOTAL OTHER RESERVES £M
	<b>OTHER RESERVES</b>					
At 1 October 2016	193	4,170	7	(5)	(6)	4,359
<b>Other comprehensive income</b>						
Currency translation differences	-	-	-	(47)	-	(47)
Tax on items relating to the components of other comprehensive income (note 5)	-	-	-	(1)	-	(1)
Total other comprehensive loss	-	-	-	(48)	-	(48)
Fair value of share-based payments (note 22)	21	-	-	-	-	21
Use of treasury shares to satisfy employee share scheme awards	(3)	-	-	-	-	(3)
Other changes	-	-	-	-	(9)	(9)
At 30 September 2017	211	4,170	7	(53)	(15)	4,320

## CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	NOTES	2018 £M	2017 £M
<b>NON-CURRENT ASSETS</b>			
Goodwill	8	4,270	3,994
Other intangible assets	9	1,903	1,537
Property, plant and equipment	10	1,006	1,000
Interests in associates and joint ventures	11	263	220
Other investments	12	73	63
Post employment benefit assets	20	346	259
Trade and other receivables	13	105	104
Deferred tax assets*	5	45	132
Derivative financial instruments**	17	83	139
Non-current assets	1	8,094	7,448
<b>CURRENT ASSETS</b>			
Inventories	14	353	353
Trade and other receivables	13	2,857	2,701
Tax recoverable*		69	86
Cash and cash equivalents**	15	969	387
Derivative financial instruments**	17	34	4
		4,282	3,531
Assets held for sale	23	236	–
Current assets		4,518	3,531
<b>Total assets</b>	1	12,612	10,979
<b>CURRENT LIABILITIES</b>			
Short term borrowings**	16	(813)	(20)
Derivative financial instruments**	17	(12)	(6)
Provisions	19	(167)	(132)
Current tax liabilities*		(227)	(227)
Trade and other payables	18	(4,317)	(3,892)
		(5,536)	(4,277)
Liabilities directly associated with assets held for sale	23	(72)	–
Current liabilities		(5,608)	(4,277)
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings**	16	(3,611)	(3,939)
Derivative financial instruments**	17	(33)	(11)
Post employment benefit obligations	20	(224)	(231)
Provisions	19	(227)	(266)
Deferred tax liabilities*	5	(49)	(48)
Trade and other payables	18	(220)	(87)
Non-current liabilities		(4,364)	(4,582)
<b>Total liabilities</b>	1	(9,972)	(8,859)
<b>Net assets</b>	1	2,640	2,120
<b>EQUITY</b>			
Share capital	21	176	176
Share premium account		182	182
Capital redemption reserve		295	295
Other reserves		4,208	4,320
Retained earnings		(2,246)	(2,875)
<b>Total equity shareholders' funds</b>		2,615	2,098
<b>Non-controlling interests</b>		25	22
<b>Total equity</b>		2,640	2,120

\* Component of current and deferred taxes.

\*\* Component of net debt.

Approved by the Board of Directors on 20 November 2018 and signed on their behalf by

**Dominic Blakemore**, Director

**Johnny Thomson**, Director

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2018

	NOTES	2018 £M	2017 £M
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24	2,297	2,068
Interest paid		(101)	(103)
Tax received		26	25
Tax paid	5	(349)	(357)
<b>Net cash from operating activities</b>		<b>1,873</b>	<b>1,633</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of subsidiary companies <sup>1</sup>	23	(420)	(96)
Purchase of additional interest in joint operations and investments in associated undertakings	11	(32)	(5)
Proceeds from sale of subsidiary companies and associated undertakings <sup>1</sup>		39	19
Purchase of intangible assets	9	(425)	(339)
Purchase of property, plant and equipment <sup>2</sup>		(386)	(376)
Proceeds from sale of property, plant and equipment/intangible assets		54	32
Purchase of other investments	12	(8)	(8)
Proceeds from sale of other investments	12	1	–
Dividends received from joint ventures and associates	11	35	39
Interest received		6	6
<b>Net cash used in investing activities</b>		<b>(1,136)</b>	<b>(728)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Purchase of own shares <sup>3</sup>	21	–	(19)
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		1	–
Purchase of non-controlling interests		(5)	–
Increase in borrowings	25	1,506	1,290
Repayment of borrowings	25	(1,074)	(571)
Repayment of obligations under finance leases	25	(6)	(6)
Equity dividends paid	7	(548)	(1,534)
Dividends paid to non-controlling interests		(9)	(13)
<b>Net cash used in financing activities</b>		<b>(135)</b>	<b>(853)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Net increase in cash and cash equivalents	25	602	52
Cash and cash equivalents at beginning of the year	25	387	346
Currency translation gains/(losses) on cash and cash equivalents	25	2	(11)
<b>Total cash and cash equivalents</b>		<b>991</b>	<b>387</b>
Cash reclassified as held for sale	25	(22)	–
<b>Cash and cash equivalents at end of the year</b>	15, 25	<b>969</b>	<b>387</b>

1. Net of cash acquired or disposed and payments received or made under warranties and indemnities.

2. Includes property, plant and equipment purchased under client commitments.

3. Includes stamp duty and brokers' commission.

## RECONCILIATION OF FREE CASH FLOW

As at 30 September 2018

	2018 £M	2017 £M
<b>Net cash from operating activities</b>	<b>1,873</b>	<b>1,633</b>
Purchase of intangible assets	(425)	(339)
Purchase of property, plant and equipment	(386)	(376)
Proceeds from sale of property, plant and equipment/intangible assets	54	32
Purchase of other investments	(8)	(8)
Proceeds from sale of other investments	1	–
Dividends received from joint ventures and associates	35	39
Interest received	6	6
Dividends paid to non-controlling interests	(9)	(13)
<b>Underlying free cash flow</b>	<b>1,141</b>	<b>974</b>

## GROUP ACCOUNTING POLICIES

For the year ended 30 September 2018

### INTRODUCTION

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

### A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that are effective for the year ended 30 September 2018. They have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 34.

In the current financial year, the Group has adopted:

- Amendments to IAS 7: Disclosure initiative
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Annual improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

There is no material impact on the Group's consolidated results or balance sheet as a result of adopting these new standards.

### ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 30 September 2018. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

- IFRS 15: Revenue from contracts with customers and subsequent amendments
- IFRS 9: Financial instruments and subsequent amendments
- IFRS 16: Leases
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- Amendments to IAS 28: Long term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards

- IFRIC 22: Foreign currency transactions and advance consideration
- IFRIC 23: Uncertainty over income tax treatments
- Annual improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 1 and IAS 28
- Annual improvements to IFRS Standards 2015–2017 Cycle

Certain new standards, amendments and interpretations of existing standards have been published that, once they have been endorsed by the European Union, will be mandatory for the Group's accounting period beginning on 1 October 2018 or for later periods. The Group has not yet adopted these pronouncements and does not currently believe that the adoption of these standards, amendments or interpretations would have a material effect on the consolidated results or financial position of the Group unless stated otherwise.

**IFRS 15 'Revenue from contracts with customers'** and subsequent amendments 'Clarifications to IFRS 15' replace IAS 18 'Revenue'. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on 1 October 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements.

The Group will adopt IFRS 15 for the year ending 30 September 2019 with a retrospective approach to the restatement of comparatives.

IFRS 15 is not expected to have a significant impact on the timing and recognition of revenue, operating profit margin or net assets. On the assumption that business conditions remain broadly the same, the Group expects that the impact of IFRS 15 on its consolidated financial statements will be as follows:

- Approximately 0.5% reduction in combined sales of Group and share of equity accounted joint ventures as a result of certain payments to clients being offset against revenue as a deduction. These payments were previously reported as operating expenses.
- Approximately 0.3% increase in operating profit as a result of the timing difference arising between the capitalisation of commissions paid to the Group's salesforce, now capitalised as 'costs incurred to obtain a contract', and the amortisation of these sales commissions. The previous policy was to expense salesforce commissions as incurred.
- Net assets' increase of approximately 2% as a result of the capitalisation of salesforce commissions, net of their associated deferred tax impact.
- Balance sheet reclassifications of some client contract related intangibles.

The Group does not expect to have to make any significant new judgements around revenue recognition under the new standard.

The Group intends to apply the transition practical expedients in IFRS 15. Applying these practical expedients will not have a significant impact on the timing, measurement and recognition of revenue. These expedients are as follows:

- Expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the comparative reporting periods presented before 1 October 2018.
- Expedients in relation to the use of hindsight in contracts with variable consideration and contracts that were completed and/or modified before the beginning of the comparative periods presented.

The Group is assessing the disclosure requirements of IFRS 15 and has preliminarily determined that the majority of the disclosures are either currently included in the financial statements or can be prepared using data currently available.

**IFRS 9 'Financial instruments'** replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on 1 October 2018. IFRS 9 will impact the classification and measurement of the Group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures.

The primary change resulting from IFRS 9 on the Group's accounting is that the Group will recognise the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables at the date of initial recognition of those assets. Currently credit losses are not recognised on such assets until there is an indicator of impairment, such as a payment default. Whilst hedge accounting requirements are revised under IFRS 9, no material changes to the Group's hedge accounting have been identified.

The Group will adopt IFRS 9 with the cumulative retrospective impact on the classification and measurement of financial instruments reflected as an adjustment to equity on the date of adoption.

The Group's current estimate of the primary financial impact of adoption of IFRS 9 on the consolidated balance sheet is a reduction of cumulative retained earnings at 1 October 2018 between £10 million and £15 million. No significant impact is expected from implementing IFRS 9 on the consolidated income statement or on the consolidated cash flow statement.

**IFRS 16 'Leases'** replaces IAS 17 'Leases'. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 October 2019. IFRS 16 will primarily change lease accounting for lessees. Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or related lease creditor is recognised. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group intends to adopt IFRS 16 with the cumulative retrospective impact as an adjustment to equity on the date of adoption with no restatement of comparative information.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

- 'Right of use' assets will be recorded for assets that are leased by the Group. Currently no lease assets are included on the Group's consolidated balance sheet for operating leases.
- Liabilities will be recorded for future lease payments in the Group's consolidated balance sheet for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 30 September 2019, as they will be discounted to present value and the treatment of termination and extension options may differ.
- Lease expenses will be for depreciation of right of use assets and interest on lease liabilities. Interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.
- Operating lease cash flows are currently included within operating cash flows in the consolidated cash flow statement. Under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

The Group is continuing to assess the impact of the accounting changes that will arise under IFRS 16 and cannot yet reasonably quantify the impact. However, the changes highlighted above will have a material impact on the consolidated income statement, consolidated balance sheet and consolidated cash flow statement after the Group's adoption on 1 October 2019.

## **B CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's accounting policies do not include any critical judgements. The policies which require the most use of management estimation are set out below; however none of these estimates are expected to have a material adjustment in the next financial year:

### **TAXES**

The Group has operations in around 50 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimate to reflect a variety of factors; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

The changing regulatory environment affecting all multi-nationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased co-operation between tax authorities and greater cross border transparency.

The Group estimates and recognises liabilities of whether additional taxes will be due based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. Further details of this are provided in note 5 and note 26.

In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

### **GOODWILL**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M on pages 118 and 119. The recoverable amounts of cash-generating units (CGU) have been determined based on value in use calculations. These calculations require the use of estimates

and assumptions consistent with the most up to date budgets and plans that have been formally approved by management. The key assumptions used for the value in use calculations are set out in note 8 to the consolidated financial statements.

### **POST EMPLOYMENT BENEFITS**

The Group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The accounting valuation is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, which include price inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality and other demographic assumptions and the levels of contributions. Further details and sensitivities are included in note 20 to the financial statements.

### **C BASIS OF CONSOLIDATION**

The consolidated financial statements consist of the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's share of interests in joint arrangements and associates made up to 30 September each year.

### **D SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS**

#### **SUBSIDIARIES**

Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing control.

#### **ASSOCIATES**

Associates are undertakings that are not subsidiaries or joint arrangements over which the Group has significant influence and can participate in financial and operating policy decisions. Investments in associated undertakings are accounted for using the equity method. The consolidated income statement includes the Group's share of the profit after tax of the associated undertakings. Investments in associates include goodwill identified on acquisition and are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value.

#### **JOINT ARRANGEMENTS**

Joint arrangements are entities in which the Group holds an interest on a long term basis and which are jointly controlled by the Group and other entities under a contractual agreement. The Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the agreements covering the joint operations. Joint ventures are accounted for using the equity method.

#### **ADJUSTMENTS**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

## ACQUISITIONS AND DISPOSALS

The results of subsidiaries, associates or joint arrangements acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## INTRA-GROUP TRANSACTIONS

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group subsidiary transacts with a joint operation of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant joint operation.

## E ACQUISITIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued.

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale which are recognised and measured at fair value less costs to sell.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Where not all the equity of a subsidiary is acquired, the non-controlling interest is recognised at the non-controlling interest's proportionate share of the net assets of the subsidiary. Put options over non-controlling interests are recognised as a financial liability measured at fair value which is re-evaluated at each year end with a corresponding entry in other reserves.

## F FOREIGN CURRENCY

The consolidated financial statements are prepared in sterling, which is the functional currency of the Company.

In preparing the financial statements of individual companies within the Group, transactions in currencies other than the companies' functional currency are recorded at the rates of exchange on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates on the balance sheet date. Gains and losses arising on retranslation are included in the consolidated income statement for the year, except for where they arise on items taken directly to other comprehensive income, in which case they are also recognised in the consolidated statement of comprehensive income.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward currency contracts (see section Q for the Group's accounting policies in respect of derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations (expressed in their functional currencies, being the currency of the primary economic environment in which each entity operates) are translated at the exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## G REVENUE AND CONTRACT COSTS

Revenue is recognised in the period in which food and support services are provided in accordance with the terms of the contractual relationships with third parties. Revenue represents the fair value of the consideration received or receivable for food and support services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Where the consideration receivable under client contracts is variable, for example where performance bonuses exist, revenue is recognised when it is highly probable that applicable thresholds will be met.

Clients engage us to provide our food and support services at their locations. Depending on the type of client and service, we are paid either by our client and/or directly by the consumer to whom we have been provided access by our client. In certain cases, clients engage us to provide food and support services in a single multi service contract. We recognise revenue for each separate performance obligation in respect of food and support services as these are provided. We typically use three types of client contracts.

### MANAGEMENT FEE CONTRACTS

Revenue from management fee contracts is based on cost incurred and invoiced to the client together with the agreed management fee. Revenue from management fee contracts is recognised as food and support services are provided.

### FIXED PRICE CONTRACTS

Fixed price contracts include both contracts where: a) the client pays a fixed amount for an agreed range of services provided over a fixed period; and b) contracts where revenue is a fixed price per meal but varies depending on volume. Revenue from fixed price contracts is recognised as services are provided in each period.

### PROFIT AND LOSS CONTRACTS

Revenue from profit and loss contracts comprises the total of sales made to consumers, typically with little or no subsidy charged to clients. Under these contracts, the Group has significant discretion to manage pricing and costs. Revenue is recognised as food and support services are provided to consumers.

## CONTRACT COSTS

Costs incurred during the bidding period, prior to a contract being awarded, are expensed to the income statement. Costs incurred in securing the contract after preferred bidder status has been obtained are generally expensed as incurred, unless they fulfil the conditions for capitalisation as an asset.

Commissions paid to the sales force on winning or retaining client contracts are charged to the income statement as incurred.

As part of client contracts, the Group may make payments to clients primarily based on a percentage of revenue or profit generated from consumers. These payments are accounted for as operating costs when incurred.

## H REBATES AND OTHER AMOUNTS RECEIVED FROM SUPPLIERS

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume related rebates.

Income from value and volume related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period.

Rebates received in respect of plant and equipment are deducted from the costs capitalised and are recognised in the consolidated income statement in line with depreciation.

Agreed discounts relating to inventories are credited to the income statement within cost of sales as the goods are consumed.

Rebates relating to items purchased, but still held at the balance sheet date, are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

## I BORROWING COSTS

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

## J OPERATING PROFIT

Operating profit is stated after the share of profit after tax of joint ventures and associates, and before finance costs.

## K EXCEPTIONAL ITEMS

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## L TAX

Income tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement except where it relates to items taken directly to the consolidated statement of comprehensive income or equity, in which case it is recognised in the consolidated statement of comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted in respect of that period by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint arrangements, 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 deferred tax assets 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 calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

## M INTANGIBLE ASSETS

### GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary, associate or joint arrangement at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.



Goodwill is allocated to CGUs for the purpose of impairment testing. A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business and relates to the total business for a country.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment is immediately recognised in the consolidated income statement and an impairment loss recognised for goodwill is not subsequently reversed.

On disposal, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent gain or loss on disposal.

### OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are capitalised at cost or, if acquired as part of a business combination, are capitalised at fair value as at the date of the acquisition. Amortisation is charged on a straight line basis over the expected useful lives of the assets. Internally generated intangible assets are not capitalised. Intangible assets are reviewed for impairment annually.

The following rates applied for the Group:

- client contract related intangible assets: the life of the contract
- computer software: 20% to 33% per annum

The typical life of contract related intangibles is 2 to 20 years.

Client contract related intangible assets arising on acquisition of a business are recognised at fair value and amortised over the life of the contract, including the renewal period where appropriate. Underlying operating profit and underlying earnings per share exclude the amortisation of contract related intangible assets arising on acquisition of a business as it is not considered to be relevant to the underlying trading performance of the Group.

### N PROPERTY, PLANT AND EQUIPMENT

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. Freehold land is not depreciated. All other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation is provided on a straight line basis over the anticipated useful lives of the assets.

The following rates applied for the Group:

- Freehold buildings and long term leasehold property: 2% per annum
- Short term leasehold property: the life of the lease
- Plant and machinery: 8% to 33% per annum
- Fixtures and fittings: 8% to 33% per annum

When assets are sold, the difference between sales proceeds and the carrying amount of the assets is dealt with in the consolidated income statement.

### O ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the 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, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less costs to sell.

### P INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using either the weighted average price or the first in, first out method as appropriate to the circumstances. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### Q FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities, including derivative financial instruments, denominated in foreign currencies are translated into sterling at period end exchange rates. Gains and losses are dealt with through the consolidated income statement, unless hedge accounting treatment is available.

### INVESTMENTS

The Group's available for sale investments are measured at fair value or, where fair value cannot be reliably measured, at cost less impairment. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

## **BORROWINGS**

Borrowings are recognised initially at the proceeds received, net of direct issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of direct issue costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method, unless included in a fair value hedge.

## **EQUITY INSTRUMENTS**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge the risks associated with changes in foreign exchange rates and interest rates. Such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors that provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; or net investment hedges where they hedge the exposure to foreign currency arising from a net investment in foreign operations.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement. Where the adjustment is to the carrying amount of a hedged interest bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity.

When fair value hedge accounting is discontinued, any adjustment to the carrying amount of the hedged item for the designated risk for interest bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted.

The Group's policy is to convert a proportion of its floating rate debt to fixed rates, using floating to fixed interest rate swaps. The Group may designate these as cash flow hedges of interest rate risk whenever the hedge accounting conditions are met.

The Group may also designate foreign currency firm commitments as cash flow hedges of foreign currency risk whenever the hedge accounting conditions are met.

The portion of the gain or loss arising from the cash flow hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

For cash flow hedges of firm commitments which result in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are recognised in the initial measurement of the acquisition cost and carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example when the future sale occurs.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement in the period.

The Group uses foreign currency denominated debt, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The Group designates these as a hedge of its net investments in foreign operations and recognises the gains or losses on the retranslation of the borrowings in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Exchange differences arising from a monetary item receivable from or payable to a Group foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Gains and losses accumulated in other comprehensive income are recycled through the consolidated income statement on disposal of the foreign operation.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement in the period.

## R LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Payments made under operating leases are charged to income on a straight line basis over the period of the lease. Any incentives to enter into an operating lease are also spread on a straight line basis over the lease term.

## S PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material.

## T EMPLOYEE BENEFITS PENSION OBLIGATIONS

The Group operates two types of pension plans:

- Defined contribution plans where the Group makes contributions to a member's pension plan but has no further payment obligations once the contributions have been paid; and
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules.

For defined contribution plans, the Group pays contributions to separately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement when they are due. Payments made to state managed schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

For defined benefit plans, the calculation of the defined benefit obligation is performed at least once a year by a qualified actuary using the projected unit credit method. The consolidated balance sheet reflects a net asset or net liability for each defined benefit pension plan. The liability recognised is the present value of the defined benefit obligation discounted using the yields on high quality corporate bonds less the fair value of plan assets (at bid price), if any. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Group considers that it has an unconditional right to a refund.

For the UK defined benefit plan, the Group considers that it has an unconditional right to a refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. The Group's judgement is that these trustee rights do not prevent the Group from recognising an unconditional right to a refund and therefore a surplus.

Net interest income (if a plan is in surplus) or interest expense (if a plan is in deficit) is calculated using yields on high quality corporate bonds and recognised in the consolidated income statement. A current service cost is also recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period.

Remeasurements, which include gains and losses as a result of changes in actuarial assumptions, the effect of the limit on the plan surplus (if any) and returns on plan assets (other than amounts included in net interest) are recognised in the consolidated statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

## OTHER POST EMPLOYMENT OBLIGATIONS

Some Group companies provide other post employment benefits. The expected costs of these benefits are accrued over the period of employment using a similar basis to that used for defined benefit pension schemes. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

## SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. In accordance with the requirements of IFRS 2 'Share-based payments', the Group has applied IFRS 2 to all equity-settled share options granted after 7 November 2002 that had vested before 1 January 2005.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

## HOLIDAY PAY

Paid holidays and similar entitlements are regarded as an employee benefit and are charged to the consolidated income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not taken.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

### 1 SEGMENTAL REPORTING

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and our Rest of World markets. Each segment derives revenue from delivery of food and support services.

REVENUE <sup>1</sup>	GEOGRAPHICAL SEGMENTS			TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	
<b>YEAR ENDED 30 SEPTEMBER 2018</b>				
Combined sales of Group and share of equity accounted joint ventures <sup>2,3</sup>	<b>13,785</b>	<b>5,783</b>	<b>3,671</b>	<b>23,239</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>				
Combined sales of Group and share of equity accounted joint ventures <sup>2,3,4</sup>	13,322	5,598	3,932	22,852

REVENUE <sup>1</sup>	SECTORS					TOTAL £M
	BUSINESS & INDUSTRY £M	EDUCATION £M	HEALTHCARE & SENIORS £M	SPORTS & LEISURE £M	DEFENCE, OFFSHORE & REMOTE £M	
<b>YEAR ENDED 30 SEPTEMBER 2018</b>						
Combined sales of Group and share of equity accounted joint ventures <sup>2</sup>	<b>9,111</b>	<b>4,142</b>	<b>5,454</b>	<b>2,840</b>	<b>1,692</b>	<b>23,239</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>						
Combined sales of Group and share of equity accounted joint ventures <sup>2</sup>	8,847	4,124	5,264	2,820	1,797	22,852

1. There is no inter-segmental trading.

2. This is the underlying revenue measure considered by the chief operating decision maker.

3. Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £2,190 million (2017: £2,070 million). Underlying revenue from external customers arising in the USA was £12,938 million (2017: £12,449 million). Underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £21,049 million (2017: £20,782 million).

4. The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. £313 million of revenue has been reclassified from Europe to Rest of World for the year ended 30 September 2017.

## 1 SEGMENTAL REPORTING CONTINUED

	GEOGRAPHICAL SEGMENTS				TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
Underlying operating profit before joint ventures and associates	1,118	395	246	(70)	1,689
Add: Share of profit before tax of joint ventures	2	–	30	–	32
<b>Regional underlying operating profit<sup>1</sup></b>	<b>1,120</b>	<b>395</b>	<b>276</b>	<b>(70)</b>	<b>1,721</b>
Add: Share of profit of associates	14	6	–	–	20
<b>Group underlying operating profit<sup>1</sup></b>	<b>1,134</b>	<b>401</b>	<b>276</b>	<b>(70)</b>	<b>1,741</b>
Less: Amortisation of intangibles arising on acquisition	(32)	(8)	(4)	–	(44)
Less: Acquisition transaction costs	(4)	–	–	–	(4)
Less: Adjustment to contingent consideration on acquisition	–	(1)	–	–	(1)
Less: Tax on share of profit of joint ventures	–	–	(2)	–	(2)
<b>Total operating profit</b>	<b>1,098</b>	<b>392</b>	<b>270</b>	<b>(70)</b>	<b>1,690</b>
Net loss on sale and closure of businesses					(58)
Finance income					6
Finance costs					(120)
Other financing items					2
<b>Profit before tax</b>					<b>1,520</b>
Income tax expense					(387)
<b>Profit for the year</b>					<b>1,133</b>
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Underlying operating profit before joint ventures and associates <sup>2</sup>	1,079	411	241	(70)	1,661
Add: Share of profit before tax of joint ventures	3	–	24	–	27
<b>Regional underlying operating profit<sup>1,2</sup></b>	<b>1,082</b>	<b>411</b>	<b>265</b>	<b>(70)</b>	<b>1,688</b>
Add: Share of profit of associates	12	5	–	–	17
<b>Group underlying operating profit<sup>1,2</sup></b>	<b>1,094</b>	<b>416</b>	<b>265</b>	<b>(70)</b>	<b>1,705</b>
Less: Amortisation of intangibles arising on acquisition <sup>2</sup>	(27)	(7)	(5)	–	(39)
Less: Acquisition transaction costs	–	(1)	–	(1)	(2)
Add: Adjustment to contingent consideration on acquisition	3	–	–	–	3
Less: Tax on share of profit of joint ventures	1	–	(3)	–	(2)
<b>Total operating profit</b>	<b>1,071</b>	<b>408</b>	<b>257</b>	<b>(71)</b>	<b>1,665</b>
Net loss on sale and closure of businesses					–
Finance income					6
Finance costs					(120)
Other financing items					9
<b>Profit before tax</b>					<b>1,560</b>
Income tax expense					(389)
<b>Profit for the year</b>					<b>1,171</b>

1. Underlying operating profit is the profit measure considered by the chief operating decision maker.

2. The operating profit relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker. Turkey is now part of the Rest of World segment. As a result, regional underlying operating profit of £17 million and amortisation of intangibles arising on acquisition of £2 million have been reclassified from Europe to Rest of World.

**1 SEGMENTAL REPORTING CONTINUED**

	GEOGRAPHICAL SEGMENTS				UNALLOCATED		TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	CURRENT AND DEFERRED TAX £M	NET DEBT £M	
<b>BALANCE SHEET</b>							
<b>AS AT 30 SEPTEMBER 2018</b>							
Total assets	6,102	3,530	1,386	394	114	1,086	12,612
Total liabilities	(2,936)	(1,398)	(678)	(215)	(276)	(4,469)	(9,972)
<b>Net assets/(liabilities)</b>	<b>3,166</b>	<b>2,132</b>	<b>708</b>	<b>179</b>	<b>(162)</b>	<b>(3,383)</b>	<b>2,640</b>
Total assets include:							
<b>Interests in associates and joint ventures</b>	<b>93</b>	<b>99</b>	<b>71</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>263</b>
<b>Non-current assets<sup>1</sup></b>	<b>4,346</b>	<b>2,507</b>	<b>744</b>	<b>369</b>	<b>45</b>	<b>83</b>	<b>8,094</b>
<b>AS AT 30 SEPTEMBER 2017</b>							
Total assets <sup>2</sup>	5,095	3,366	1,491	279	218	530	10,979
Total liabilities <sup>2</sup>	(2,351)	(1,264)	(743)	(250)	(275)	(3,976)	(8,859)
<b>Net assets/(liabilities)<sup>2</sup></b>	<b>2,744</b>	<b>2,102</b>	<b>748</b>	<b>29</b>	<b>(57)</b>	<b>(3,446)</b>	<b>2,120</b>
Total assets include:							
<b>Interests in associates and joint ventures</b>	<b>83</b>	<b>69</b>	<b>68</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>220</b>
<b>Non-current assets<sup>1,2</sup></b>	<b>3,639</b>	<b>2,433</b>	<b>840</b>	<b>265</b>	<b>132</b>	<b>139</b>	<b>7,448</b>

1. Non-current assets located in the UK, the Group's country of domicile, were £1,792 million (2017: £1,795 million). Non-current assets located in the USA were £4,034 million (2017: £3,362 million). Non-current assets located in all foreign countries in which the Group holds assets were £6,302 million (2017: £5,653 million).
2. Total assets of £179 million, total liabilities of £73 million and non-current assets of £107 million relating to the Group's geographical segments of Europe and Rest of World have been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. As a result, total net assets of £106 million have been reclassified from Europe to Rest of World.

## 1 SEGMENTAL REPORTING CONTINUED

	GEOGRAPHICAL SEGMENTS				TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	
<b>ADDITIONS TO OTHER INTANGIBLE ASSETS</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Total additions to other intangible assets</b>	<b>376</b>	<b>20</b>	<b>15</b>	<b>14</b>	<b>425</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Total additions to other intangible assets	293	33	9	4	339
<b>ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Total additions to property, plant and equipment<sup>1</sup></b>	<b>182</b>	<b>100</b>	<b>83</b>	<b>–</b>	<b>365</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Total additions to property, plant and equipment <sup>1,4</sup>	171	107	66	–	344
<b>AMORTISATION OF OTHER INTANGIBLE ASSETS</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Total amortisation of other intangible assets<sup>2</sup></b>	<b>231</b>	<b>32</b>	<b>14</b>	<b>–</b>	<b>277</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Total amortisation of other intangible assets <sup>2,4</sup>	213	30	15	2	260
<b>DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Total depreciation of property, plant and equipment</b>	<b>125</b>	<b>94</b>	<b>47</b>	<b>1</b>	<b>267</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Total depreciation of property, plant and equipment <sup>4</sup>	119	93	49	1	262
<b>ASSETS AND LIABILITIES HELD FOR SALE</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Assets held for sale</b>	<b>111</b>	<b>43</b>	<b>82</b>	<b>–</b>	<b>236</b>
<b>Liabilities directly associated with assets held for sale</b>	<b>(17)</b>	<b>(30)</b>	<b>(25)</b>	<b>–</b>	<b>(72)</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Assets held for sale	–	–	–	–	–
Liabilities directly associated with assets held for sale	–	–	–	–	–
<b>OTHER NON-CASH EXPENSES</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018</b>					
<b>Total other non-cash expenses<sup>3</sup></b>	<b>10</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>21</b>
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Total other non-cash expenses <sup>3</sup>	9	5	3	4	21

1. Includes leased assets of £3 million (2017: £3 million).

2. Including the amortisation of intangibles arising on acquisition.

3. Other non-cash expenses are mainly comprised of share-based payments.

4. Additions and depreciation charge to property, plant and equipment relating to the Group's geographical segments of Europe and Rest of World have been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. As a result, additions to property, plant and equipment of £10 million and depreciation charge of £6 million have been reclassified from Europe to Rest of World. For the same reason amortisation of other intangible assets of £2 million has been reclassified from Europe to Rest of World.

**2 OPERATING COSTS**

	2018 £M	2017 £M
<b>OPERATING COSTS</b>		
<b>COST OF FOOD AND MATERIALS:</b>		
Cost of inventories consumed	6,542	6,514
<b>LABOUR COSTS:</b>		
Employee remuneration (note 3)	10,461	10,236
<b>OVERHEADS:</b>		
Commissions and fees paid to clients	1,027	991
Depreciation – owned property, plant and equipment	265	259
Depreciation – leased property, plant and equipment	2	3
Amortisation – owned intangible assets	233	221
Property lease rentals	100	100
Other occupancy rentals – minimum guaranteed rent	85	75
Other occupancy rentals – rent in excess of minimum guaranteed rent	10	11
Other asset rentals	87	92
Audit and non-audit services (see below)	7	5
Other expenses	2,456	2,400
Operating costs before costs relating to acquisitions	21,275	20,907
Amortisation – intangible assets arising on acquisition	44	39
Acquisition transaction costs	4	2
Adjustment to contingent consideration on acquisition	1	(3)
<b>Total</b>	<b>21,324</b>	<b>20,945</b>
<b>AUDIT AND NON-AUDIT SERVICES</b>	<b>2018</b>	<b>2017</b>
	<b>£M</b>	<b>£M</b>
<b>AUDIT SERVICES</b>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.9	0.5
Fees payable to the Company's auditor and their associates for other services to the Group: the audit of the Company's subsidiaries and joint arrangements pursuant to legislation	5.4	4.4
<b>Total audit fees</b>	<b>6.3</b>	<b>4.9</b>
<b>NON-AUDIT SERVICES</b>		
Audit related assurance	0.6	0.3
Other tax advisory	0.1	–
<b>Total non-audit fees</b>	<b>0.7</b>	<b>0.3</b>
<b>TOTAL AUDIT AND NON-AUDIT SERVICES</b>		
<b>Total audit and non-audit services</b>	<b>7.0</b>	<b>5.2</b>



### 3 EMPLOYEES

#### AVERAGE NUMBER OF EMPLOYEES, INCLUDING DIRECTORS AND PART-TIME EMPLOYEES

	2018	2017 <sup>1</sup>
North America	<b>269,752</b>	260,729
Europe	<b>149,382</b>	154,585
Rest of World	<b>176,707</b>	172,798
Total	<b>595,841</b>	588,112

1. The number of employees has been reclassified to reflect a change in the way geographical segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment.

#### AGGREGATE REMUNERATION OF ALL EMPLOYEES INCLUDING DIRECTORS

	2018 £M	2017 £M
Wages and salaries	<b>8,875</b>	8,603
Social security costs	<b>1,431</b>	1,470
Share-based payments	<b>21</b>	21
Pension costs – defined contribution plans	<b>110</b>	123
Pension costs – defined benefit plans	<b>24</b>	19
Total	<b>10,461</b>	10,236

In addition to the pension cost shown in operating costs above, there is £nil pensions-related net charge within finance costs (2017: £1 million).

The remuneration of directors and key management personnel<sup>1</sup> is set out below. Additional information on directors' and key management remuneration, long term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' Remuneration Report on pages 71 to 93 and forms part of these accounts.

#### REMUNERATION OF KEY PERSONNEL

	2018 £M	2017 £M
Salaries	<b>6.7</b>	6.5
Other short term employee remuneration	<b>7.6</b>	6.1
Share-based payments	<b>3.5</b>	6.1
Pension salary supplement	<b>1.3</b>	1.6
Total	<b>19.1</b>	20.3

1. Key management personnel is defined as the Board of Directors and the individuals who made up the Executive Board from time to time during the year, more details of which can be found on pages 49 to 51 and 55.

## 4 FINANCE INCOME, COSTS AND OTHER FINANCING ITEMS

Finance income and costs are recognised in the consolidated income statement in the year in which they are earned or incurred.

	2018 £M	2017 £M
<b>FINANCE INCOME AND COSTS</b>		
<b>FINANCE INCOME</b>		
Bank interest	6	6
Total finance income	6	6
<b>FINANCE COSTS</b>		
Interest on bank loans and overdrafts	13	13
Interest on other loans	100	98
Finance lease interest	1	1
Interest on bank loans, overdrafts, other loans and finance leases	114	112
Unwinding of discount on provisions	6	7
Interest on net post employment benefit obligations (note 20)	–	1
Total finance costs	120	120
<b>ANALYSIS OF FINANCE COSTS BY DEFINED IAS 39<sup>1</sup> CATEGORY</b>		
Fair value through profit or loss (unhedged derivatives)	1	4
Derivatives in a fair value hedge relationship	(19)	(19)
Derivatives in a net investment hedge relationship	5	11
Other financial liabilities	127	116
Interest on bank loans, overdrafts, other loans and finance leases	114	112
Fair value through profit or loss (unwinding of discount on provisions)	6	7
Outside of the scope of IAS 39 (net pension scheme charge)	–	1
Total finance costs	120	120

1. IAS 39 'Financial instruments: recognition and measurement'.

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps and interest rate swaps to hedge the risks associated with changes in foreign currency exchange rates and interest rates. As explained in section Q of the Group's accounting policies, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement in the period.

### FAIR VALUE MEASUREMENT

All derivative financial instruments are shown at fair value in the balance sheet. All the derivatives held by the Group at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurement'. The fair values of derivative financial instruments represent the maximum credit exposure.

	2018 £M	2017 £M
<b>FINANCING RELATED (GAINS)/LOSSES</b>		
<b>HEDGE ACCOUNTING INEFFECTIVENESS</b>		
Unrealised net gains on unhedged derivative financial instruments <sup>1</sup>	(4)	(6)
Unrealised net losses on derivative financial instruments in a designated fair value hedge <sup>2</sup>	50	70
Unrealised net gains on the hedged item in a designated fair value hedge	(44)	(71)
Total hedge accounting ineffectiveness	2	(7)
<b>CHANGE IN THE FAIR VALUE OF INVESTMENTS</b>		
Gain from the changes in the fair value of investments <sup>1,3</sup>	(4)	(2)
Total financing related gains	(2)	(9)

1. Categorized as 'fair value through profit or loss' (IAS 39).

2. Categorized as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).

3. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations included in note 20.

## 5 TAX

### RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT: INCOME TAX EXPENSE

	2018 £M	2017 £M
<b>CURRENT TAX</b>		
Current year	380	424
Adjustment in respect of prior years	(11)	(47)
Current tax expense	369	377
<b>DEFERRED TAX</b>		
Current year	17	7
Impact of changes in statutory tax rates	(4)	2
Adjustment in respect of prior years	5	3
Deferred tax expense	18	12
<b>TOTAL INCOME TAX</b>		
Income tax expense	387	389

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19.0% (2017: 19.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The impact of changes in statutory rates relates principally to the reduction of the federal tax rate in the United States from 35% to 21% from 1 January 2018 following the enactment of the Tax Cuts and Jobs Act. US federal deferred taxes as at 30 September 2018 have been calculated at 21%. The impact of the reduction in tax rate on deferred tax assets and liabilities through the income statement is not significant but there is a resulting one off charge of £13 million to other comprehensive income in respect of deferred tax assets arising on post employment benefits.

The income tax effects of the adjustments between statutory and underlying results are shown in note 32 to the consolidated financial statements. There is no difference between the statutory and underlying cash tax paid of £349 million (2017: statutory and underlying £357 million).

	2018 £M	2017 £M
Profit before tax	1,520	1,560
Notional income tax expense at the effective UK statutory rate of 19.0% (2017: 19.5%) on profit before tax	289	304
Effect of different tax rates of subsidiaries operating in other jurisdictions	128	177
Impact of changes in statutory tax rates	(4)	2
Permanent differences	(22)	(45)
Impact of share-based payments	3	1
Tax on profit of associates and equity accounted joint ventures	(2)	(3)
Losses and other temporary differences not previously recognised	–	(4)
Unrelieved current year tax losses	1	1
Prior year items	(6)	(44)
Income tax expense	387	389

Permanent differences include the internal financing that is in place to ensure the Group's overseas businesses are appropriately capitalised. These intra-group arrangements provide a benefit to the Group's effective tax rate. Prior year items relate to the reassessment of prior year tax estimates and the resolution of open items.

The global nature of the Group's operations gives rise to several factors which could affect the future tax rate. These include the mix of profits, changes to statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling. In addition, the future tax charge may be affected by the impact of acquisitions, disposals or other restructurings and the resolution of open issues with tax authorities.

Tax uncertainties and associated risks are increasing for all multi-national groups as a consequence of changes to local and international tax rules. Tax risk can arise from unclear regulations and differences in interpretation, but most significantly where tax authorities apply diverging standards in assessing intra-group cross-border transactions. The Group has recognised potential liabilities in respect of uncertain tax positions as described in section B of the Group accounting policies, none of which is individually material. In determining such liabilities, having regard to the specific circumstances of each tax position and external advice where appropriate, the Group assesses the range of potential outcomes and estimates whether additional tax may be due. The Group does not currently anticipate any material changes to the amounts recorded in respect of these liabilities as at 30 September 2018 (see also note 26).

**5 TAX CONTINUED**

	2018 £M	2017 £M
<b>TAX CHARGED TO OTHER COMPREHENSIVE INCOME</b>		
Current and deferred tax charge on actuarial and other movements on post employment benefits	29	7
Current and deferred tax charge on foreign exchange movements	1	1
Tax charges on items recognised in other comprehensive income	30	8

	2018 £M	2017 £M
<b>TAX CREDITED TO EQUITY</b>		
Current and deferred tax credit in respect of share-based payments	(1)	(3)
Tax credit on items recognised in equity	(1)	(3)

<b>MOVEMENT IN NET DEFERRED TAX ASSET/(LIABILITY)</b>	TAX DEPRECIATION £M	INTANGIBLES £M	PENSIONS AND POST EMPLOYMENT BENEFITS £M	TAX LOSSES £M	NET SELF-FUNDED INSURANCE PROVISIONS £M	NET SHORT TERM TEMPORARY DIFFERENCES £M	TOTAL £M
At 1 October 2016	(25)	(293)	150	19	90	168	109
(Charge)/credit to income	(27)	(5)	11	(1)	–	10	(12)
Credit to equity/other comprehensive income	–	–	(7)	–	–	(1)	(8)
Business acquisitions	–	(3)	–	(2)	–	2	(3)
Other movements	(3)	1	–	1	–	2	1
Exchange adjustment	3	8	(6)	–	(3)	(5)	(3)
At 30 September 2017	(52)	(292)	148	17	87	176	84
Credit/(charge) to income	3	63	(26)	(4)	(29)	(25)	(18)
Credit to equity/other comprehensive income	–	–	(30)	–	–	(3)	(33)
Business acquisitions	–	(45)	–	3	–	3	(39)
Reclassification between categories	–	(8)	(8)	–	–	16	–
Other movements	1	–	(1)	1	–	(1)	–
Exchange adjustment	(2)	1	2	–	2	(1)	2
At 30 September 2018	(50)	(281)	85	17	60	165	(4)

Net short term temporary differences relate principally to provisions and other liabilities of overseas subsidiaries.

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

<b>NET DEFERRED TAX BALANCE</b>	2018 £M	2017 £M
Deferred tax assets	45	132
Deferred tax liabilities	(49)	(48)
Net deferred tax (liability)/asset	(4)	84

Deferred tax assets have not been recognised in respect of tax losses of £41 million (2017: £54 million) and other temporary differences of £20 million (2017: £23 million). Of the total tax losses, £26 million (2017: £44 million) will expire at various dates between 2019 and 2021. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling £474 million (2017: £452 million) because it is able to control the timing of reversal of these differences. It is probable that no reversal will take place in the foreseeable future.

## 6 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the period. The underlying earnings per share figures have been calculated based on earnings excluding the effect of the amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, non-controlling interest put options, gains and losses on disposal of businesses, hedge accounting ineffectiveness, change in fair value of investments and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

	2018 ATTRIBUTABLE PROFIT £M	2017 ATTRIBUTABLE PROFIT £M
<b>ATTRIBUTABLE PROFIT</b>		
Profit for the year attributable to equity shareholders of the Company	1,125	1,161
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	33	25
Acquisition transaction costs	3	2
Adjustment to contingent consideration on acquisition	1	(3)
Net loss on sale and closure of businesses	68	–
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	(1)	(8)
Underlying attributable profit for the year from operations	1,229	1,177

	2018 ORDINARY SHARES OF 11 <sup>1/2</sup> ¢P EACH MILLIONS	2017 ORDINARY SHARES OF 11 <sup>1/2</sup> ¢P EACH MILLIONS
<b>AVERAGE NUMBER OF SHARES (MILLIONS OF ORDINARY SHARES)</b>		
Average number of shares for basic earnings per share	1,584	1,628
Dilutive share options	1	1
Average number of shares for diluted earnings per share	1,585	1,629

	2018 EARNINGS PER SHARE PENCE	2017 EARNINGS PER SHARE PENCE
<b>BASIC EARNINGS PER SHARE</b>		
From operations	71.0	71.3
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	2.1	1.5
Acquisition transaction costs	0.2	0.1
Adjustment to contingent consideration on acquisition	0.1	(0.2)
Net loss on sale and closure of businesses	4.3	–
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	(0.1)	(0.4)
From underlying operations	77.6	72.3

	2018 EARNINGS PER SHARE PENCE	2017 EARNINGS PER SHARE PENCE
<b>DILUTED EARNINGS PER SHARE</b>		
From operations	71.0	71.3
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	2.1	1.5
Acquisition transaction costs	0.2	0.1
Adjustment to contingent consideration on acquisition	0.1	(0.2)
Net loss on sale and closure of businesses	4.3	–
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	(0.1)	(0.4)
From underlying operations	77.6	72.3

## 7 DIVIDENDS

A final dividend in respect of 2018 of 25.4 pence per share, £402 million in aggregate<sup>1</sup>, has been proposed, giving a total dividend in respect of 2018 of 37.7 pence per share (2017: 33.5 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 7 February 2019 and has not been included as a liability in these financial statements.

	2018		2017 <sup>2</sup>	
	DIVIDENDS PER SHARE PENCE	£M	DIVIDENDS PER SHARE PENCE	£M
<b>DIVIDENDS ON ORDINARY SHARES</b>				
Amounts recognised as distributions to equity shareholders during the year:				
Final 2016	–	–	21.1	347
Interim 2017	–	–	11.2	184
Final 2017	<b>22.3</b>	<b>353</b>	–	–
Interim 2018	<b>12.3</b>	<b>195</b>	–	–
Total dividends	<b>34.6</b>	<b>548</b>	32.3	531

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2018 (1,584 million shares).

2. In addition, a special dividend of 61.0 pence per share, £1,003 million in aggregate, was declared in the year ended 30 September 2017.

## 8 GOODWILL

During the year the Group made a number of acquisitions. See note 23 for more details.

### GOODWILL

£M

#### COST

At 1 October 2016	4,575
Additions	43
Disposals	(14)
Currency adjustment	(94)
At 30 September 2017	4,510
Additions	<b>312</b>
Disposals	<b>(2)</b>
Reclassification to assets held for sale	<b>(38)</b>
Currency adjustment	<b>4</b>
At 30 September 2018	<b>4,786</b>

#### IMPAIRMENT

At 1 October 2016	525
Currency adjustment	(9)
At 30 September 2017	516
Currency adjustment	–
At 30 September 2018	<b>516</b>

At 30 September 2017	3,994
At 30 September 2018	<b>4,270</b>

## 8 GOODWILL CONTINUED

### GOODWILL BY BUSINESS SEGMENT

	2018 €M	2017 €M
USA	1,893	1,605
Canada	175	149
Total North America	2,068	1,754
UK	1,430	1,440
Rest of Europe <sup>1</sup>	390	351
Total Europe	1,820	1,791
Japan	153	150
Rest of Rest of World <sup>1</sup>	229	299
Total Rest of World	382	449
Total	4,270	3,994

1. Goodwill relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. Goodwill of €68 million has been reclassified from Europe to Rest of World for the year ended 30 September 2017.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a Cash Generating Unit (CGU) is determined from value in use calculations. The key assumptions for these calculations are externally derived long term growth rates, pre-tax discount rates and cash flow forecasts derived from the most recent financial budgets and forecasts approved by management covering a five year period. Budgets and forecasts are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and like for like growth and taking into consideration external economic factors. Cash flows beyond the five year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

	2018		2017	
	RESIDUAL GROWTH RATES	PRE-TAX DISCOUNT RATES	RESIDUAL GROWTH RATES	PRE-TAX DISCOUNT RATES
USA	2.0%	8.6%	1.8%	10.1%
Canada	1.9%	8.5%	1.7%	8.7%
UK	2.1%	8.0%	2.3%	8.6%
Rest of Europe	1.2–4.0%	7.5–13.7%	1.0–4.4%	7.6–15.9%
Rest of World	1.1–9.9%	7.0–18.5%	0.8–7.1%	7.5–16.7%

Given the current economic climate, a sensitivity analysis has been performed in assessing recoverable amounts of goodwill for all CGUs. This has been based on changes in key assumptions considered to be reasonably possible by management. The directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the net operating assets of the individually significant CGUs disclosed above to fall below their carrying values.

## 9 OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS	COMPUTER SOFTWARE £M	CLIENT CONTRACT AND OTHER INTANGIBLES		TOTAL £M
		ARISING ON ACQUISITION <sup>1</sup> £M	OTHER <sup>2</sup> £M	
<b>COST</b>				
At 1 October 2016	314	705	1,473	2,492
Additions	38	–	301	339
Disposals	(20)	(7)	(128)	(155)
Business acquisitions	–	44	–	44
Business disposals	–	(5)	–	(5)
Reclassified	(1)	1	(7)	(7)
Currency adjustment	(6)	(21)	(47)	(74)
At 30 September 2017	325	717	1,592	2,634
Additions	<b>54</b>	–	<b>371</b>	<b>425</b>
Disposals	<b>(46)</b>	–	<b>(209)</b>	<b>(255)</b>
Business acquisitions	–	<b>239</b>	<b>4</b>	<b>243</b>
Reclassified	<b>1</b>	<b>(1)</b>	<b>4</b>	<b>4</b>
Reclassification to assets held for sale	<b>(5)</b>	<b>(27)</b>	<b>(6)</b>	<b>(38)</b>
Currency adjustment	<b>(4)</b>	<b>(6)</b>	<b>54</b>	<b>44</b>
At 30 September 2018	<b>325</b>	<b>922</b>	<b>1,810</b>	<b>3,057</b>
<b>AMORTISATION</b>				
At 1 October 2016	226	152	645	1,023
Charge for the year	28	39	193	260
Disposals	(19)	(7)	(118)	(144)
Business disposals	–	(2)	–	(2)
Reclassified	(2)	–	(3)	(5)
Currency adjustment	(4)	(6)	(25)	(35)
At 30 September 2017	229	176	692	1,097
Charge for the year	<b>30</b>	<b>44</b>	<b>203</b>	<b>277</b>
Disposals	<b>(45)</b>	<b>5</b>	<b>(179)</b>	<b>(219)</b>
Reclassified	<b>(1)</b>	–	<b>(1)</b>	<b>(2)</b>
Reclassification to assets held for sale	<b>(4)</b>	<b>(12)</b>	<b>(3)</b>	<b>(19)</b>
Currency adjustment	–	<b>(4)</b>	<b>24</b>	<b>20</b>
At 30 September 2018	<b>209</b>	<b>209</b>	<b>736</b>	<b>1,154</b>
<b>NET BOOK VALUE</b>				
At 30 September 2017	96	541	900	1,537
At 30 September 2018	<b>116</b>	<b>713</b>	<b>1,074</b>	<b>1,903</b>

1. The intangible assets arising on acquisition are all client contract related.
2. Client contract related intangible assets, other than those arising on acquisition, generally arise when the Group funds equipment for clients which is subsequently used in the fulfilment of the contract.



## 10 PROPERTY, PLANT AND EQUIPMENT

<b>PROPERTY, PLANT AND EQUIPMENT</b>	LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	FIXTURES AND FITTINGS £M	TOTAL £M
<b>COST</b>				
At 1 October 2016	422	1,385	699	2,506
Additions <sup>1</sup>	33	203	108	344
Disposals	(35)	(126)	(68)	(229)
Business disposals – other activities	–	(12)	(1)	(13)
Business acquisitions	–	2	–	2
Reclassified	(19)	21	7	9
Currency adjustment	(9)	(27)	(9)	(45)
At 30 September 2017	392	1,446	736	2,574
Additions <sup>1</sup>	<b>22</b>	<b>228</b>	<b>115</b>	<b>365</b>
Disposals	<b>(29)</b>	<b>(95)</b>	<b>(50)</b>	<b>(174)</b>
Business disposals – other activities	<b>(2)</b>	<b>(11)</b>	<b>(3)</b>	<b>(16)</b>
Business acquisitions	<b>1</b>	<b>12</b>	<b>1</b>	<b>14</b>
Reclassified	<b>15</b>	<b>(11)</b>	<b>–</b>	<b>4</b>
Reclassification to assets held for sale	<b>(16)</b>	<b>(98)</b>	<b>(8)</b>	<b>(122)</b>
Currency adjustment	<b>–</b>	<b>(1)</b>	<b>(12)</b>	<b>(13)</b>
At 30 September 2018	<b>383</b>	<b>1,470</b>	<b>779</b>	<b>2,632</b>
<b>DEPRECIATION</b>				
At 1 October 2016	220	899	434	1,553
Charge for the year	26	163	73	262
Disposals	(30)	(118)	(60)	(208)
Business disposals – other activities	–	(7)	(1)	(8)
Reclassified	7	(5)	2	4
Currency adjustment	(5)	(19)	(5)	(29)
At 30 September 2017	218	913	443	1,574
Charge for the year	<b>23</b>	<b>167</b>	<b>77</b>	<b>267</b>
Disposals	<b>(23)</b>	<b>(76)</b>	<b>(42)</b>	<b>(141)</b>
Business disposals – other activities	<b>(1)</b>	<b>(7)</b>	<b>(3)</b>	<b>(11)</b>
Reclassified	<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>
Reclassification to assets held for sale	<b>(6)</b>	<b>(53)</b>	<b>(5)</b>	<b>(64)</b>
Currency adjustment	<b>(2)</b>	<b>2</b>	<b>(6)</b>	<b>(6)</b>
At 30 September 2018	<b>210</b>	<b>951</b>	<b>465</b>	<b>1,626</b>
<b>NET BOOK VALUE</b>				
At 30 September 2017	174	533	293	1,000
At 30 September 2018	<b>173</b>	<b>519</b>	<b>314</b>	<b>1,006</b>

The net book value of the Group's property, plant and equipment includes assets held under finance leases as follows:

<b>PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASES</b>	LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	FIXTURES AND FITTINGS £M	TOTAL £M
At 30 September 2017	1	5	1	7
At 30 September 2018	<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>

1. Includes leased assets at a net book value of £3 million (2017: £3 million).

## 11 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Significant interests in associates are:

		2018 OWNERSHIP <sup>1</sup>	2017 OWNERSHIP <sup>1</sup>
<b>ASSOCIATES</b>			
Twickenham Experience Limited <sup>2</sup>	England & Wales	<b>16%</b>	16%
Oval Events Limited <sup>3</sup>	England & Wales	<b>37.5%</b>	37.5%
AEG Facilities, LLC <sup>4</sup>	USA	<b>49%</b>	49%
Thompson Hospitality Services, LLC <sup>4</sup>	USA	<b>49%</b>	49%

1. % ownership is of the ordinary share capital.
2. Financial statements applied using the equity method relate to the year ended 30 June, rolled forward to 30 September.
3. Financial statements applied using the equity method relate to the year ended 30 January, rolled forward to 30 September.
4. Financial statements applied using the equity method relate to the year ended 31 December of the prior year, rolled forward to 30 September.

Significant interests in joint ventures are:

		2018 OWNERSHIP <sup>1</sup>	2017 OWNERSHIP <sup>1</sup>
<b>JOINT VENTURES</b>			
Quadrant Catering Ltd <sup>2</sup>	England & Wales	<b>49%</b>	49%
ADNH-Compass Middle East LLC	United Arab Emirates	<b>50%</b>	50%
Express Support Services Limitada <sup>2</sup>	Angola	<b>49%</b>	49%

1. % ownership is of the ordinary share capital.
2. 49% ownership entitles Compass Group to 50% of voting rights.

None of these investments are held directly by the ultimate Parent Company. All joint ventures provide food and/or support services in their respective countries of incorporation and make their accounts up to 30 September, except for Express Support Services Limitada which is to 31 December. All holdings are in the ordinary shares of the respective joint venture company.

These investments are structured through separate vehicles and the Group has a residual interest in their respective net assets. Accordingly, the Group has classified its interests as joint ventures which are equity accounted. The tables below reconcile the summarised financial information to the carrying amount of the Group's interests in its associates and joint ventures.

	2018 £M	2017 £M
<b>INTERESTS IN ASSOCIATES AND JOINT VENTURES</b>		
<b>NET BOOK VALUE</b>		
At 1 October	<b>220</b>	222
Additions	<b>32</b>	5
Sale and closure of businesses	<b>(4)</b>	–
Share of profits less losses (net of tax)	<b>50</b>	42
Dividends declared	<b>(35)</b>	(39)
Transfer to disposal group classified as held for sale	<b>(1)</b>	–
Currency and other adjustments	<b>1</b>	(10)
At 30 September	<b>263</b>	220
<b>COMPRISED OF</b>		
Interests in associates	<b>179</b>	141
Interests in joint ventures	<b>84</b>	79
Total	<b>263</b>	220

## 11 INTERESTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

The Group's share of revenues and profits is included below:

	2018			2017		
	ASSOCIATES £M	JOINT VENTURES £M	TOTAL £M	ASSOCIATES £M	JOINT VENTURES £M	TOTAL £M
<b>ASSOCIATES AND JOINT VENTURES</b>						
<b>SHARE OF REVENUE AND PROFITS</b>						
Revenue	79	275	354	78	284	362
Expenses/taxation <sup>1</sup>	(59)	(245)	(304)	(61)	(259)	(320)
Profit after tax for the year	20	30	50	17	25	42
<b>SHARE OF NET ASSETS</b>						
Non-current assets	181	40	221	133	43	176
Current assets	79	140	219	69	127	196
Non-current liabilities	(13)	(12)	(25)	(8)	(11)	(19)
Current liabilities	(68)	(84)	(152)	(53)	(80)	(133)
Net assets	179	84	263	141	79	220
<b>SHARE OF CONTINGENT LIABILITIES</b>						
Contingent liabilities	–	(30)	(30)	–	(32)	(32)

1. Expenses include the relevant portion of income tax recorded by associates and joint ventures.

## 12 OTHER INVESTMENTS

	2018 £M	2017 £M
<b>NET BOOK VALUE</b>		
At 1 October	63	50
Additions	8	8
Disposals	(1)	–
Currency and other adjustments	3	5
At 30 September	73	63
<b>COMPRISED OF</b>		
Other investments <sup>1,2</sup>	17	17
Life insurance policies and mutual fund investments <sup>1,2,3</sup>	56	46
Total	73	63

1. Categorised as 'available for sale' financial assets (IAS 39).

2. As per the fair value hierarchies explained in note 17, other investments are Level 1 and the life insurance policies are Level 2.

3. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations as set out in note 20.

**13 TRADE AND OTHER RECEIVABLES**

	2018			2017		
	CURRENT £M	NON-CURRENT £M	TOTAL £M	CURRENT £M	NON-CURRENT £M	TOTAL £M
<b>TRADE AND OTHER RECEIVABLES</b>						
<b>NET BOOK VALUE</b>						
At 1 October	2,701	104	2,805	2,596	97	2,693
Net movement	187	2	189	167	11	178
Currency adjustment	(31)	(1)	(32)	(62)	(4)	(66)
At 30 September	2,857	105	2,962	2,701	104	2,805
<b>COMPRISED OF</b>						
Trade receivables	2,141	–	2,141	1,993	–	1,993
Provision for impairment of trade receivables	(63)	–	(63)	(73)	–	(73)
Net trade receivables <sup>1</sup>	2,078	–	2,078	1,920	–	1,920
Other receivables	408	120	528	393	120	513
Provision for impairment of other receivables	(8)	(22)	(30)	(2)	(24)	(26)
Net other receivables	400	98	498	391	96	487
Accrued income	249	–	249	249	5	254
Prepayments	125	7	132	132	3	135
Amounts owed by associates, joint ventures and related parties <sup>1</sup>	5	–	5	9	–	9
Trade and other receivables	2,857	105	2,962	2,701	104	2,805

1. Categorised as 'loans and receivables' financial assets (IAS 39).

**TRADE RECEIVABLES**

The book value of trade and other receivables approximates to their fair value due to the short term nature of the majority of the receivables.

Credit sales are only made after credit approval procedures have been completed satisfactorily. The policy for making provisions for bad and doubtful debts varies from country to country as different countries and markets have different payment practices, but various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's client base. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for the impairment of receivables. The book value of trade and other receivables represents the Group's maximum exposure to credit risk.

Trade receivable days at 30 September 2018 were 42 days (2017: 41 days) on a constant currency basis.

## 13 TRADE AND OTHER RECEIVABLES CONTINUED

The ageing of gross trade receivables and of the provision for impairment is as follows:

	2018					TOTAL £M
	NOT YET DUE £M	0-3 MONTHS OVERDUE £M	3-6 MONTHS OVERDUE £M	6-12 MONTHS OVERDUE £M	OVER 12 MONTHS OVERDUE £M	
<b>TRADE RECEIVABLES</b>						
Gross trade receivables	1,615	414	51	24	37	2,141
Provision for impairment of trade receivables	–	(15)	(10)	(9)	(29)	(63)
Net trade receivables	1,615	399	41	15	8	2,078

	2017					TOTAL £M
	NOT YET DUE £M	0-3 MONTHS OVERDUE £M	3-6 MONTHS OVERDUE £M	6-12 MONTHS OVERDUE £M	OVER 12 MONTHS OVERDUE £M	
<b>TRADE RECEIVABLES</b>						
Gross trade receivables	1,549	322	50	24	48	1,993
Provision for impairment of trade receivables	–	(7)	(15)	(19)	(32)	(73)
Net trade receivables	1,549	315	35	5	16	1,920

Movements in the provision for impairment of trade and other receivables are as follows:

	2018			2017		
	TRADE £M	OTHER £M	TOTAL £M	TRADE £M	OTHER £M	TOTAL £M
<b>PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES</b>						
At 1 October	73	26	99	60	28	88
Charged to income statement	22	5	27	40	–	40
Credited to income statement	(13)	–	(13)	(2)	(2)	(4)
Utilised	(16)	–	(16)	(23)	–	(23)
Reclassification to assets held for sale	(1)	–	(1)	–	–	–
Reclassified	1	4	5	(1)	–	(1)
Currency adjustment	(3)	(5)	(8)	(1)	–	(1)
At 30 September	63	30	93	73	26	99

At 30 September 2018, trade receivables of £463 million (2017: £371 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all amounts not provided for are considered to be recoverable.

## 14 INVENTORIES

	2018 £M	2017 £M
<b>INVENTORIES</b>		
<b>NET BOOK VALUE</b>		
At 1 October	353	346
Business acquisitions	7	5
Net movement	(7)	11
Currency adjustment	–	(9)
At 30 September	353	353

**15 CASH AND CASH EQUIVALENTS**

<b>CASH AND CASH EQUIVALENTS</b>	<b>2018 £M</b>	<b>2017 £M</b>
Cash at bank and in hand	<b>325</b>	335
Short term bank deposits	<b>644</b>	52
Cash and cash equivalents <sup>1</sup>	<b>969</b>	387

1. Categorised as 'loans and receivables' financial assets (IAS 39).

<b>CASH AND CASH EQUIVALENTS BY CURRENCY</b>	<b>2018 £M</b>	<b>2017 £M</b>
Sterling	<b>658</b>	84
US Dollar	<b>105</b>	45
Euro	<b>47</b>	41
Japanese Yen	<b>5</b>	7
Other	<b>154</b>	210
Cash and cash equivalents	<b>969</b>	387

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 17. The book value of cash and cash equivalents represents the maximum credit exposure.

**MASTER NETTING OR SIMILAR AGREEMENTS**

The Group has master netting agreements for its cash and bank overdrafts and the following balances are offset within the consolidated balance sheet:

	<b>2018</b>		
	<b>GROSS £M</b>	<b>OFFSET £M</b>	<b>NET £M</b>
Cash and cash equivalents	<b>989</b>	<b>(20)</b>	<b>969</b>
Bank overdrafts	<b>(96)</b>	<b>20</b>	<b>(76)</b>
	<b>2017</b>		
	<b>GROSS £M</b>	<b>OFFSET £M</b>	<b>NET £M</b>
Cash and cash equivalents	489	(102)	387
Bank overdrafts	(110)	102	(8)

**16 SHORT TERM AND LONG TERM BORROWINGS**

<b>SHORT TERM AND LONG TERM BORROWINGS</b>	<b>2018</b>			<b>2017</b>		
	<b>CURRENT £M</b>	<b>NON-CURRENT £M</b>	<b>TOTAL £M</b>	<b>CURRENT £M</b>	<b>NON-CURRENT £M</b>	<b>TOTAL £M</b>
Bank overdrafts	<b>76</b>	–	<b>76</b>	8	–	8
Bank loans	<b>5</b>	–	<b>5</b>	8	303	311
Loan notes	<b>191</b>	<b>1,261</b>	<b>1,452</b>	–	1,440	1,440
Bonds	<b>538</b>	<b>2,347</b>	<b>2,885</b>	–	2,190	2,190
Borrowings (excluding finance leases)	<b>810</b>	<b>3,608</b>	<b>4,418</b>	16	3,933	3,949
Finance leases	<b>3</b>	<b>3</b>	<b>6</b>	4	6	10
Borrowings (including finance leases) <sup>1</sup>	<b>813</b>	<b>3,611</b>	<b>4,424</b>	20	3,939	3,959

1. Categorised as 'other financial liabilities' (IAS 39).

Interest on bank overdrafts is at the relevant money market rates.

All amounts due under bonds, loan notes and bank facilities are shown net of unamortised issue costs. Additionally, the Group adjusts the carrying values of the bonds and loan notes that are designated in effective fair value hedge relationships, for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged.

## 16 SHORT TERM AND LONG TERM BORROWINGS CONTINUED

The Group has fixed term, fixed interest private placements denominated in US dollar.

LOAN NOTES	NOMINAL VALUE	REDEEMABLE	INTEREST	2018 CARRYING VALUE €M	2017 CARRYING VALUE €M
US\$ private placement	\$250m	Oct 2018	3.31%	191	186
US\$ private placement	\$200m	Sep 2020	3.09%	153	149
US\$ private placement	\$398m	Oct 2021	3.98%	305	297
US\$ private placement	\$352m	Oct 2023	4.12%	268	274
US\$ private placement	\$100m	Dec 2024	3.54%	76	75
US\$ private placement	\$300m	Sep 2025	3.81%	229	236
US\$ private placement	\$300m	Dec 2026	3.64%	230	223
				<b>1,452</b>	1,440

BONDS	NOMINAL VALUE	REDEEMABLE	INTEREST	2018 CARRYING VALUE €M	2017 CARRYING VALUE €M
Euro Eurobond	€600m	Feb 2019	3.13%	538	539
Euro Eurobond	€500m	Jan 2023	1.88%	464	464
Euro Eurobond	€750m	Jul 2024	0.63%	669	654
Sterling Eurobond	£250m	Sep 2025	2.00%	246	–
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249
Euro Eurobond	€500m	Sep 2028	1.50%	438	–
Sterling Eurobond	£300m	Jul 2029	2.00%	281	284
				<b>2,885</b>	2,190

£250 million 2025 Eurobonds and €500 million 2028 Eurobonds were issued during the year.

BANK LOANS	FACILITY SIZE	2018 NOMINAL VALUE	2017 NOMINAL VALUE	FACILITY MATURITY DATE	INTEREST <sup>1</sup>	2018 CARRYING VALUE €M	2017 CARRYING VALUE €M
Bilateral loans	£690m	–	£228m	Dec 2020	Floating	–	227
Syndicated facility	£1,000m	–	£75m	Jun 2021	Floating	–	75
Other bank loans	–	Various	Various	Various	Floating	5	9
	£1,690m					<b>5</b>	311

1. Interest rates are referenced to market specific benchmark rates for each currency equivalent plus a margin.

The maturity profile of borrowings (excluding finance leases) is as follows:

MATURITY PROFILE OF BORROWINGS (EXCLUDING FINANCE LEASES)	2018 €M	2017 €M
Within 1 year, or on demand	810	16
Between 1 and 2 years	153	726
Between 2 and 3 years	–	376
Between 3 and 4 years	305	75
Between 4 and 5 years	464	297
In more than 5 years	2,686	2,459
Borrowings (excluding finance leases)	<b>4,418</b>	3,949

**16 SHORT TERM AND LONG TERM BORROWINGS CONTINUED**

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. The table below shows the fair value of borrowings excluding accrued interest:

	2018		2017	
	CARRYING VALUE £M	FAIR VALUE £M	CARRYING VALUE £M	FAIR VALUE £M
<b>CARRYING VALUE AND FAIR VALUE OF BORROWINGS (EXCLUDING FINANCE LEASES)</b>				
Bank overdrafts	76	76	8	8
Bank loans	5	5	311	311
Loan notes	1,452	1,449	1,440	1,482
Bank overdrafts, loans and loan notes	1,533	1,530	1,759	1,801
€600m Eurobond Feb 2019	538	541	539	551
€500m Eurobond Jan 2023	464	471	464	473
€750m Eurobond Jul 2024	669	656	654	655
£250m Eurobond Sep 2025	246	247	–	–
£250m Eurobond Jun 2026	249	277	249	284
€500m Eurobond Sep 2028	438	440	–	–
£300m Eurobond Jul 2029	281	283	284	290
Bonds	2,885	2,915	2,190	2,253
Borrowings (excluding finance leases)	4,418	4,445	3,949	4,054

	2018		2017	
	GROSS £M	PRESENT VALUE £M	GROSS £M	PRESENT VALUE £M
<b>GROSS AND PRESENT VALUE OF FINANCE LEASE LIABILITIES</b>				
Finance lease payments falling due:				
Within 1 year	3	3	5	4
In 1 to 5 years	3	3	6	6
	6	6	11	10
Less: Future finance charges	–	–	(1)	–
Gross and present value of finance lease liabilities	6	6	10	10

	2018			2017		
	BORROWINGS £M	FINANCE LEASES £M	TOTAL £M	BORROWINGS £M	FINANCE LEASES £M	TOTAL £M
<b>BORROWINGS BY CURRENCY</b>						
Sterling	838	–	838	835	–	835
US Dollar	1,454	1	1,455	1,443	1	1,444
Euro	2,111	2	2,113	1,659	6	1,665
Other	15	3	18	12	3	15
Total	4,418	6	4,424	3,949	10	3,959

The Group had the following undrawn committed facilities available at 30 September, in respect of which all conditions precedent had then been met:

	2018 £M	2017 £M
<b>UNDRAWN COMMITTED FACILITIES</b>		
Expiring between 1 and 5 years	1,690	1,387



## 17 DERIVATIVE FINANCIAL INSTRUMENTS

### CAPITAL RISK MANAGEMENT

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 15; debt, which includes the borrowings disclosed in note 16; and equity attributable to equity shareholders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

### FINANCIAL MANAGEMENT

The Group continues to manage its interest rate and foreign currency exposure in accordance with the policies set out below. The Group's financial instruments comprise cash, borrowings, receivables and payables that are used to finance the Group's operations. The Group also uses derivatives, principally interest rate swaps, forward currency contracts and cross currency swaps, to manage interest rate and currency risks arising from the Group's operations. The Group does not trade in financial instruments. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks. The Board approves any changes to the policies.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due.

The Group finances its operations through cash generated by the business and borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The maturity profile of the Group's principal borrowings at 30 September 2018 shows that the average period to maturity is 5.4 years (2017: 5.6 years). Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised committed banking facilities to maintain a level of headroom in line with Board approval. The level of undrawn facilities is set out in note 16.

### FOREIGN CURRENCY RISK

The Group's policy is to match its principal projected cash flows by currency to actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary, to implement this policy, forward currency contracts and cross currency swaps are executed which, when applied to the actual currency liabilities, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into sterling. Where the borrowings are less than, or equate to, the net investment in overseas operations, these exchange rate variances are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the consolidated income statement.

Non-sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given and will continue to give rise to translation differences. The Group is only partially protected from the impact of such differences through the matching of cash flows to currency borrowings.

The Group has minimal exposure to the foreign currency risk of trade receivables and payables as operations within individual countries have little cross-border activity which might give rise to translation risks on trade related balances.

The main currencies to which the Group's reported sterling financial position is exposed are the US dollar, the euro and the Japanese yen. As set out above, the Group seeks to hedge its exposure to currencies by matching debt in currency against the cash flows generated by the Group's foreign operations in such currencies.

The effect on profit after tax and equity of a 10% strengthening of sterling against these currencies on the Group's financial statements is shown below. A 10% weakening would result in an equal and opposite impact on the profit or loss and equity of the Group. This table shows the impact on the financial instruments in place on 30 September and has been prepared on the basis that the 10% change in exchange rates occurred on the first day of the financial year and applied consistently throughout the year.

	2018			2017		
	AGAINST US DOLLAR £M	AGAINST EURO £M	AGAINST JAPANESE YEN £M	AGAINST US DOLLAR £M	AGAINST EURO £M	AGAINST JAPANESE YEN £M
Increase in profit for the year (after tax)	4	5	–	–	5	–
Increase in total equity	168	92	11	182	88	12

**17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED****INTEREST RATE RISK**

As set out above, the Group has effective borrowings in a number of currencies and the policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.

The sensitivity analysis given below has been determined based on the derivative and non-derivative financial instruments the Group had in place at the year end date only.

The effect of a 1% increase in interest rates prevailing at the balance sheet date on the Group's cash and cash equivalents and debt subject to variable rates of interest at the balance sheet date would be a loss of £6 million (2017: loss of £8 million) over the course of a year. A similar 1% decrease in interest rates would result in an equal and opposite effect over the course of a year.

<b>INTEREST RATE SENSITIVITY ANALYSIS</b>	<b>2018</b>					
	<b>STERLING £M</b>	<b>US DOLLAR £M</b>	<b>EURO £M</b>	<b>JAPANESE YEN £M</b>	<b>OTHER £M</b>	<b>TOTAL £M</b>
Increase in interest rate	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>n/a</b>
Floating rate exposure – cash/(debt)	<b>154</b>	<b>(759)</b>	<b>10</b>	<b>(51)</b>	<b>(196)</b>	<b>(842)</b>
Increase/(decrease) in profit for the year (after tax)	<b>1</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>(6)</b>

<b>INTEREST RATE SENSITIVITY ANALYSIS</b>	<b>2017</b>					
	<b>STERLING £M</b>	<b>US DOLLAR £M</b>	<b>EURO £M</b>	<b>JAPANESE YEN £M</b>	<b>OTHER £M</b>	<b>TOTAL £M</b>
Increase in interest rate	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>+1%</b>	<b>n/a</b>
Floating rate exposure – cash/(debt)	<b>162</b>	<b>(829)</b>	<b>(97)</b>	<b>(91)</b>	<b>(184)</b>	<b>(1,039)</b>
Increase/(decrease) in profit for the year (after tax)	<b>1</b>	<b>(6)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(8)</b>

These changes are the result of the exposure to interest rates from the Group's floating rate cash and cash equivalents and debt. The sensitivity gains and losses given above may vary because cash flows vary throughout the year and interest rate and currency hedging may be implemented after the year end date in order to comply with the treasury policies outlined above.

**CREDIT RISK**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's policy is to minimise its exposure to credit risk from the failure of any single financial counterparty by spreading its risk across a portfolio of financial counterparties and managing the aggregate exposure to each against certain pre-agreed limits. Exposure to counterparty credit risk arising from deposits and derivatives is concentrated at the Group centre where possible. Financial counterparty limits are derived from the long and short term credit ratings, and the balance sheet strength of the financial counterparty. All financial counterparties are required to have a minimum short term credit rating from Moody's of P-1 or equivalent from another recognised agency. To reduce credit exposures, the Group has International Swaps and Derivatives Association (ISDA) Master Agreements with all of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances. Exposure to counterparty credit risk arising from deposits and derivatives is centralised at the Group centre. The maximum exposure to credit risk resulting from financial activities, without considering netting arrangements, is equal to the carrying value of the Group's financial assets.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 13.

**HEDGING ACTIVITIES**

The following section describes the derivative financial instruments the Group uses to apply the interest rate and foreign currency hedging strategies described above.

**FAIR VALUE HEDGES**

The Group uses interest rate and cross currency interest rate swaps to hedge the fair value of fixed rate borrowings. These instruments swap the fixed interest payable on the borrowings into floating interest rates and hedge the fair value of the borrowings against changes in interest rates and foreign exchange rates. These swaps all qualify for fair value hedge accounting as defined by IAS 39, some of which are designated in fair value hedge relationships where appropriate.

## 17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

### NET INVESTMENT HEDGES

The Group uses foreign currency denominated debt, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The carrying value of debt and derivatives in a net investment hedge was £1,683 million (2017: £1,712 million). A foreign exchange loss of £73 million (2017: gain of £116 million) relating to the net investment hedges has been netted off within currency translation differences as presented on the consolidated statement of comprehensive income.

### DERIVATIVES NOT IN A HEDGING RELATIONSHIP

The Group has a number of derivative financial instruments that do not meet the criteria for hedge accounting. These include some interest rate swaps and some forward currency contracts used for interest and cash management.

### FAIR VALUE MEASUREMENT

All derivative financial instruments are shown at fair value in the consolidated balance sheet. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data. There were no transfers between levels in either the year ended 30 September 2018 or 2017. The fair values of derivative financial instruments represent the maximum credit exposure.

DERIVATIVE FINANCIAL INSTRUMENTS	2018				2017			
	CURRENT ASSETS £M	NON-CURRENT ASSETS £M	CURRENT LIABILITIES £M	NON-CURRENT LIABILITIES £M	CURRENT ASSETS £M	NON-CURRENT ASSETS £M	CURRENT LIABILITIES £M	NON-CURRENT LIABILITIES £M
<b>Interest rate swaps:</b>								
Fair value hedges <sup>1</sup>	4	6	–	(19)	–	35	–	(11)
Not in a hedging relationship <sup>2</sup>	4	4	–	(1)	1	2	–	–
<b>Cross currency swaps</b>								
Fair value hedges <sup>1</sup>	23	73	–	(13)	–	102	–	–
<b>Forward currency contracts</b>								
Net investment hedges <sup>3</sup>	3	–	(9)	–	3	–	(5)	–
Not in a hedging relationship <sup>2</sup>	–	–	(3)	–	–	–	(1)	–
<b>Total</b>	<b>34</b>	<b>83</b>	<b>(12)</b>	<b>(33)</b>	<b>4</b>	<b>139</b>	<b>(6)</b>	<b>(11)</b>

1. Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
2. Derivatives carried at 'fair value through profit or loss' (IAS 39).
3. Derivatives that are designated and effective in net investment hedges carried at fair value (IAS 39).

### NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

	2018		2017	
	FAIR VALUE SWAPS £M	CASH FLOW SWAPS £M	FAIR VALUE SWAPS £M	CASH FLOW SWAPS £M
Sterling	550	–	300	–
US Dollar	692	522	672	559
Euro	1,514	499	837	115
Japanese Yen	–	118	–	124
Other	–	277	–	362
<b>Total</b>	<b>2,756</b>	<b>1,416</b>	<b>1,809</b>	<b>1,160</b>

**17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED**

	2018			2017		
	GROSS BORROWINGS £M	FORWARD CURRENCY CONTRACTS <sup>1</sup> £M	EFFECTIVE CURRENCY OF BORROWINGS £M	GROSS BORROWINGS £M	FORWARD CURRENCY CONTRACTS <sup>1</sup> £M	EFFECTIVE CURRENCY OF BORROWINGS £M
Sterling	838	(109)	729	835	(680)	155
US Dollar	1,455	541	1,996	1,444	631	2,075
Euro	2,113	(1,020)	1,093	1,665	(626)	1,039
Japanese Yen	–	138	138	–	132	132
Other	18	405	423	15	490	505
Total	4,424	(45)	4,379	3,959	(53)	3,906

1. Includes cross currency contracts.

	2018						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>GROSS DEBT MATURITY ANALYSIS</b>							
<b>FIXED INTEREST</b>							
£300m Eurobond 2029	–	–	–	–	–	297	297
€500m Eurobond 2028	–	–	–	–	–	442	442
£250m Eurobond 2026	–	–	–	–	–	249	249
£250m Eurobond 2025	–	–	–	–	–	248	248
€750m Eurobond 2024	–	–	–	–	–	662	662
€500m Eurobond 2023	–	–	–	–	444	–	444
€600m Eurobond 2019	534	–	–	–	–	–	534
US private placements	191	153	–	305	–	805	1,454
Total fixed interest	725	153	–	305	444	2,703	4,330
Cash flow swaps (fixed leg)	802	614	–	–	–	–	1,416
Fair value swaps (fixed leg)	(593)	–	–	–	–	(2,163)	(2,756)
Fixed interest liability	934	767	–	305	444	540	2,990
<b>FLOATING INTEREST</b>							
Bank loans	5	–	–	–	–	–	5
Overdrafts	76	–	–	–	–	–	76
Total floating interest	81	–	–	–	–	–	81
Cash flow swaps (floating leg)	(802)	(614)	–	–	–	–	(1,416)
Fair value swaps (floating leg)	593	–	–	–	–	2,163	2,756
Floating interest (asset)/liability	(128)	(614)	–	–	–	2,163	1,421
<b>OTHER</b>							
Finance lease obligations	3	2	1	–	–	–	6
Fair value adjustments to borrowings <sup>1</sup>	4	–	–	–	20	(17)	7
Other liability	7	2	1	–	20	(17)	13
Gross debt excluding derivatives	813	155	1	305	464	2,686	4,424
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>1</sup>	(31)	(3)	–	–	(73)	26	(81)
Forward currency contracts <sup>2</sup>	9	–	–	–	–	–	9
Gross debt	791	152	1	305	391	2,712	4,352

1. Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 25).

2. Non-cash item (changes in the value of this non-cash item are reported via the currency translation (losses)/gains caption in note 25).

**17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED**

	2018						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>PRINCIPAL AND INTEREST MATURITY ANALYSIS</b>							
Gross debt	791	152	1	305	391	2,712	4,352
Less: overdrafts	(76)	–	–	–	–	–	(76)
Less: fees and premiums capitalised on issue	4	3	3	3	2	5	20
Less: other non-cash items	18	3	–	–	53	(9)	65
Repayment of principal	737	158	4	308	446	2,708	4,361
Interest cash flows on debt and derivatives (settled net)	103	89	81	74	71	192	610
Settlement of forward currency contracts – payable leg	(1,379)	–	–	–	–	(453)	(1,832)
Settlement of forward currency contracts – receivable leg	1,368	–	–	–	–	445	1,813
Repayment of principal and interest	829	247	85	382	517	2,892	4,952
	2017						
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	TOTAL £M
<b>GROSS DEBT MATURITY ANALYSIS</b>							
<b>FIXED INTEREST</b>							
£300m Eurobond 2029	–	–	–	–	–	296	296
£250m Eurobond 2026	–	–	–	–	–	249	249
€750m Eurobond 2024	–	–	–	–	–	654	654
€500m Eurobond 2023	–	–	–	–	–	439	439
€600m Eurobond 2019	–	527	–	–	–	–	527
US private placements	–	185	149	–	297	783	1,414
Total fixed interest	–	712	149	–	297	2,421	3,579
Cash flow swaps (fixed leg)	672	488	–	–	–	–	1,160
Fair value swaps (fixed leg)	–	(582)	–	–	–	(1,227)	(1,809)
Fixed interest liability	672	618	149	–	297	1,194	2,930
<b>FLOATING INTEREST</b>							
Bank loans	8	1	227	75	–	–	311
Overdrafts	8	–	–	–	–	–	8
Total floating interest	16	1	227	75	–	–	319
Cash flow swaps (floating leg)	(672)	(488)	–	–	–	–	(1,160)
Fair value swaps (floating leg)	–	582	–	–	–	1,227	1,809
Floating interest (asset)/liability	(656)	95	227	75	–	1,227	968
<b>OTHER</b>							
Finance lease obligations	4	3	1	1	1	–	10
Fair value adjustments to borrowings <sup>1</sup>	–	13	–	–	–	38	51
Other liability	4	16	1	1	1	38	61
Gross debt excluding derivatives	20	729	377	76	298	2,459	3,959
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>1</sup>	(1)	(36)	–	–	–	(92)	(129)
Forward currency contracts <sup>2</sup>	3	–	–	–	–	–	3
Gross debt	22	693	377	76	298	2,367	3,833

1. Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 25).

2. Non-cash item (changes in the value of this non-cash item are reported via the currency translation gains/(losses) caption in note 25).

**17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED**

<b>PRINCIPAL AND INTEREST MATURITY ANALYSIS</b>	2017						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
Gross debt	22	693	377	76	298	2,367	3,833
Less: overdrafts	(8)	–	–	–	–	–	(8)
Less: fees and premiums capitalised on issue	2	2	2	2	2	8	18
Less: other non-cash items	(2)	23	–	–	–	54	75
Repayment of principal	14	718	379	78	300	2,429	3,918
Interest cash flows on debt and derivatives (settled net)	96	98	78	69	63	181	585
Settlement of forward currency contracts – payable leg	(628)	–	–	–	–	–	(628)
Settlement of forward currency contracts – receivable leg	622	–	–	–	–	–	622
Repayment of principal and interest	104	816	457	147	363	2,610	4,497

**18 TRADE AND OTHER PAYABLES**

<b>TRADE AND OTHER PAYABLES NET BOOK VALUE</b>	2018			2017		
	CURRENT £M	NON-CURRENT £M	TOTAL £M	CURRENT £M	NON-CURRENT £M	TOTAL £M
At 1 October	<b>3,892</b>	<b>87</b>	<b>3,979</b>	3,851	86	3,937
Net movement	<b>351</b>	<b>119</b>	<b>470</b>	126	2	128
Reclassification	<b>72</b>	<b>11</b>	<b>83</b>	–	2	2
Currency adjustment	<b>2</b>	<b>3</b>	<b>5</b>	(85)	(3)	(88)
At 30 September	<b>4,317</b>	<b>220</b>	<b>4,537</b>	3,892	87	3,979
<b>COMPRISED OF</b>						
Trade payables <sup>1</sup>	<b>1,876</b>	<b>1</b>	<b>1,877</b>	1,807	–	1,807
Social security and other taxes	<b>349</b>	–	<b>349</b>	351	–	351
Other payables <sup>1</sup>	<b>135</b>	<b>18</b>	<b>153</b>	138	43	181
Contingent and deferred consideration on acquisitions <sup>1</sup>	<b>33</b>	<b>177</b>	<b>210</b>	22	12	34
Accruals <sup>2</sup>	<b>1,414</b>	<b>24</b>	<b>1,438</b>	1,188	32	1,220
Deferred income	<b>503</b>	–	<b>503</b>	381	–	381
Capital creditors	<b>7</b>	–	<b>7</b>	5	–	5
Trade and other payables	<b>4,317</b>	<b>220</b>	<b>4,537</b>	3,892	87	3,979

1. Categorised as 'financial liabilities' (IAS 39).

2. Of this balance £672 million (2017: £535 million) is categorised as 'other financial liabilities' (IAS 39).

The Group has Supply Chain Financing (SCF) arrangements in place. The principal purpose of these arrangements is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms for suppliers participating in the SCF programmes are similar to those of suppliers that are not participating, and to the wider industry more generally. If a receivable is purchased by a third party bank, that third party bank does not benefit from additional security when compared to the security originally enjoyed by the supplier.

At 30 September 2018, the value of invoices sold under the SCF programmes was £478 million, with £444 million related to the Group's programme in the USA (2017: £438 million and £403 million respectively). These amounts are included within trade payables and all cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group.

## 18 TRADE AND OTHER PAYABLES CONTINUED

	2018					TOTAL £M
	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>FINANCIAL LIABILITIES</b>						
Trade and other payables	45	132	28	3	12	220

	2017					TOTAL £M
	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>FINANCIAL LIABILITIES</b>						
Trade and other payables	45	8	4	17	13	87

The directors consider that the carrying amount of trade and other payables approximates to their fair value. The current trade and other payables are payable on demand.

Trade payable days at 30 September 2018 were 78 days (2017: 79 days) on a constant currency basis.

## 19 PROVISIONS

	WORKERS' COMPENSATION AND SIMILAR OBLIGATIONS	PROVISIONS IN RESPECT OF DISCONTINUED AND DISPOSED BUSINESSES	ONEROUS CONTRACTS	LEGAL AND OTHER CLAIMS	REORGANISATION	OTHER	TOTAL
	£M	£M	£M	£M	£M	£M	£M
At 1 October 2016	278	47	15	44	16	23	423
Reclassified <sup>1</sup>	–	–	2	(7)	(1)	6	–
Expenditure in the year	(83)	(1)	(6)	(4)	(12)	(7)	(113)
Charged to income statement	84	–	4	7	3	8	106
Credited to income statement	(6)	–	(1)	(9)	–	(4)	(20)
Business acquisitions	–	–	–	1	–	–	1
Unwinding of discount on provisions	6	–	1	–	–	–	7
Currency adjustment	(9)	–	–	–	–	3	(6)
At 30 September 2017	270	46	15	32	6	29	398
Reclassified <sup>1</sup>	11	–	–	–	–	(1)	10
Expenditure in the year	(80)	(6)	(6)	(4)	(3)	–	(99)
Charged to income statement	76	42	(1)	3	1	–	121
Credited to income statement	(9)	(28)	–	(15)	(1)	(4)	(57)
Business acquisitions	–	–	2	1	–	–	3
Unwinding of discount on provisions	6	–	–	–	–	–	6
Currency adjustment	11	–	2	–	(2)	1	12
At 30 September 2018	285	54	12	17	1	25	394

1. Including items reclassified between accrued liabilities and other balance sheet captions.

<b>PROVISIONS</b>	2018 £M	2017 £M
Current	167	132
Non-current	227	266
Total provisions	394	398

## 19 PROVISIONS CONTINUED

The provision for workers' compensation and similar obligations relates mainly to the potential settlement of claims by employees in the US for medical benefits and lost wages associated with injuries incurred in the course of their employment, and is essentially long term in nature.

Provisions in respect of discontinued and disposed of businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received.

Provisions for onerous contracts represent the liabilities in respect of short and long term leases on unoccupied properties and other contracts lasting under five years.

Provisions for legal and other claims relate principally to provisions for the estimated cost of litigation and other sundry claims. The timing of the settlement of these claims is uncertain.

Provisions for reorganisation include provision for redundancy costs and these are expected to be utilised over the next year.

Other provisions include environmental provisions. These are in respect of potential liabilities relating to the Group's responsibility for maintaining its operating sites in accordance with statutory requirements and the Group's aim to have a low impact on the environment. These provisions are expected to be utilised as operating sites are disposed of or as environmental matters are resolved.

Provisions are discounted to present value where the effect is material using the discount rate applicable to the liability.

## 20 POST EMPLOYMENT BENEFIT OBLIGATIONS

### PENSION SCHEMES OPERATED

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 2% to 46% of pensionable salaries (2017: 2% to 46%).

The contributions payable for defined contribution schemes of £110 million (2017: £123 million) have been fully expensed against profits in the current year.

### UK SCHEMES

Within the UK there are now three main arrangements: the Compass Retirement Income Savings Plan (CRISP), the Compass Group Pension Plan (the Plan), and the Company's stakeholder pension arrangement.

CRISP was launched on 1 February 2003. This has been the main vehicle for pension provision for new joiners in the UK since that date but existing members of the Plan had continued to accrue benefits under those arrangements up until 5 April 2010. CRISP is a contracted-in money purchase arrangement whereby the Group will match employee contributions up to 6% of pay (minimum 3%). Within CRISP a new defined contribution section was established from April 2006 known as the Compass Higher Income Plan (CHIP). Senior employees who contribute to CRISP will receive an additional employer-only contribution into CHIP. The amount of contribution and eligibility for CHIP are decided annually at the Company's discretion. The payment towards CHIP may be taken in part, or in whole, as a cash supplement instead of a pension contribution.

CRISP has a corporate trustee. The Chairman is a former employee of the Group. The other five trustee directors are UK based employees of the Group, three of whom have been nominated by CRISP members.

The Plan is a defined benefit arrangement. Those UK employees who transfer from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006, typically up until 31 March 2015, were eligible to join the Plan, which has otherwise been closed to new entrants since 2003. Such transferees enter into the GAD sections of the Plan and are known as 'GAD members'. The Plan closed to future accrual for all existing members, other than GAD members, on 5 April 2010. The affected members were offered membership of CRISP from 6 April 2010.

The Plan is operated on a pre-funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. A formal actuarial valuation of the Plan is carried out every three years. The most recent valuation of the Plan took place as at 5 April 2016. At the valuation date the total market value of the assets of the Plan was £2,233 million which represented 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.



## 20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

By agreement with the trustees, the Company is no longer funding any deficit. The next triennial valuation is due to be completed as at 5 April 2019. The Plan is reappraised annually by independent actuaries in accordance with IAS 19 'Employee benefits' requirements.

The Plan has a corporate trustee. There is an independent chairman and one other independent trustee director. There are a further five trustee directors, who are either UK based employees or former employees of the Group (three of whom have been nominated by Plan members).

The Company is subject to the Pension Automatic Enrolment Regulations for its workforce in the UK. Both the Plan and CRISP are compliant arrangements under these Regulations and have been registered as such.

All new UK employees who meet the statutory eligibility criteria, and are not already in one of these registered compliant arrangements, are automatically enrolled into the National Employment Savings Trust (NEST). The Company considers that NEST provides the right type of service, communication material and investment choice for our employees and that it has the capabilities to support a company as large and diverse as Compass.

The UK Plan has to provide a minimum benefit for service known as Guaranteed Minimum Pension (GMP) which, as a result of statutory rules, is calculated differently for men and women. Although equal treatment in pension provision for males and females is required, there has been uncertainty on whether and how pension schemes should equalise GMPs in practice. In line with most other UK pension schemes, the UK Plan has not yet equalised GMPs, nor has the Group historically recorded an obligation for such equalisation on the balance sheet.

A judgement on the Lloyds Banking Group High Court hearing on GMP equalisation was published on 26 October 2018. The judgement indicates that pension trustees need to amend scheme benefits to equalise for the effect of unequal GMPs and indicates an acceptable range of methods for how to do so.

This recent judgement therefore creates an obligation to equalise for all schemes that provide GMPs, including the UK Plan. Initial estimates indicate that this obligation could be between 1% to 2% of accrued liabilities (£20 million - £40 million). This liability will be recognised in financial year 2019. As at 30 September 2018, no additional obligation has been recognised.

### OVERSEAS SCHEMES

In the USA, the defined benefit plans are frozen to new participants and the main vehicle for retirement are the defined contribution plans. The actuary provides Compass USA with the contributions required each year to the defined benefit plans, in order to work towards a 100% funding level on a projected salary basis.

Compass USA contributes to a number of multi-employer union sponsored pension plans and is required to abide by the individual collective bargaining agreements (CBA) negotiated with each union. Under the terms of these CBAs, Compass USA is required to pay the union members' salary and contribute to various multi-employer benefit plans which include (i) post employment benefits, including pensions and post employment healthcare, (ii) defined contribution plans, such as 401(k) and annuity and savings plans, (iii) other plans which include legal funds, training funds and education funds.

Participation in multi-employer pension plans bear risks that differ from single-employer plans. These risks include:

- a) Assets contributed to the plans by Compass USA may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan for any reason, the unfunded obligation remaining may transition to the remaining employers participating in the plan.
- c) If Compass USA stops participating in the plan for any reason, the Company may be required to pay a proportionate amount to the plan for its share of the unfunded liability, known as a withdrawal liability.

Compass USA is involved with 38 multi-employer benefit plans. The Group is not aware of, and has no reasonable expectation that, any plan in which it currently participates is in imminent danger of becoming insolvent, or is likely to experience a mass withdrawal.

These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans. The Group made total contributions of £17 million in the year (2017: £16 million) to these arrangements.

In Canada, Germany, Norway, Spain and Switzerland, the Group also participates in funded defined benefit arrangements.

In other countries, Group employees participate primarily in state arrangements to which the Group makes the appropriate contributions.

Other than where required by local regulation or statute, the defined benefit schemes are closed to new entrants. For these schemes the current service cost will increase under the projected unit credit method as the members of the schemes approach retirement.

**20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED****ALL DEFINED BENEFIT SCHEMES**

The Group's obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value and the fair value of scheme assets is then deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds, whose term is consistent with the timing of the expected benefit payments over future years.

The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases, and inflation. It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and balance sheet.

The liabilities of the defined benefit schemes are measured by discounting the best estimate of future cash flows to be paid using the projected unit method. This method is an accrued benefits valuation method that makes allowances for projected earnings. These calculations are performed by a qualified actuary.

Disclosures showing the assets and liabilities of the schemes are set out below. These have been calculated using the following assumptions:

	UK SCHEMES		USA SCHEMES		OTHER SCHEMES	
	2018	2017	2018	2017	2018	2017
Discount rate	<b>2.9%</b>	2.7%	<b>4.0%</b>	3.5%	<b>2.4%</b>	2.0%
Inflation	<b>3.2%</b>	3.2%	<b>2.3%</b>	2.2%	<b>1.8%</b>	1.6%
CPI inflation	<b>2.45%</b>	2.45%	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in salaries	<b>3.2%</b>	3.2%	<b>3.0%</b>	0.5%	<b>1.9%</b>	1.8%
Rate of increase for pensions in payment	<b>3.1%</b>	3.1%	<b>2.3%</b>	2.2%	<b>0.2%</b>	0.2%
Rate of increase for deferred pensions <sup>1</sup>	<b>2.8%</b>	2.8%	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

1. This assumption is presented as a weighted average.

The mortality assumptions used to value the current year UK pension schemes are derived from the S2PA generational mortality tables (2017: S2PA generational mortality tables) with improvements in line with the projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with +0.2 years age rating for male non-pensioners, -0.2 years age rating for male pensioners (2017: +0.2 years age rating for male non-pensioners, -0.2 years age rating for male pensioners) and -0.1 years age rating for all females (2017: -0.1 years age rating for all females), with a long term underpin of 1.25% p.a. These mortality assumptions take account of experience to date and assumptions for further improvements in the life expectancy of scheme members. The Group estimates the average duration of the UK and USA Plans' liabilities to be 18 years (2017: 19 years) and 9 years (2017: 9 years) respectively.

Examples of the resulting life expectancies for the UK Plan are as follows:

	2018		2017	
	MALE	FEMALE	MALE	FEMALE
Member aged 65 in 2018 (2017)	<b>22.6</b>	<b>24.5</b>	22.5	24.4
Member aged 65 in 2043 (2042)	<b>24.4</b>	<b>26.9</b>	24.3	26.8

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of pension schemes.

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. The mortality assumptions used to value USA schemes are derived from the RP2014 combined healthy table, generational MP2017 scale. Examples of the resulting life expectancies for the US schemes are as follows:

	2018		2017	
	MALE	FEMALE	MALE	FEMALE
Member aged 65 in 2018 (2017)	<b>22.2</b>	<b>23.7</b>	22.4	23.9
Member aged 65 in 2043 (2042)	<b>24.2</b>	<b>25.6</b>	24.3	25.8

## 20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

### RISKS

The Group bears a number of risks in relation to its defined benefit pension schemes. These risks and how they are mitigated for the Group's largest defined benefit plan are described below:

RISK	DESCRIPTION OF RISK	MITIGATION
<b>Interest rate</b>	A decrease in corporate bond yields will increase the schemes' benefit obligations under IAS 19. The schemes are therefore exposed to the risk that falls in interest rates will decrease the schemes' surplus.	As part of the investment strategy, the UK Plan aims to mitigate this risk through investment in a liability driven investment (LDI) portfolio. LDI is a form of investing designed to match to a large extent the movement in pension plan assets with the movement in projected benefit obligations over time.
<b>Inflation</b>	The schemes' benefit obligations are linked to inflation. A higher rate of expected long term inflation will therefore lead to higher liabilities, both for the IAS 19 and funding liability.	The UK Plan contains caps on increases to scheme benefits to mitigate the risk of increase in inflation. Additionally the UK Plan invests in LDI products which increase (decrease) in value when expectations of future inflation rates increase (fall), thus providing protection against inflation risk.
<b>Investment</b>	Asset returns are volatile and there is a risk that the value of pension schemes' assets may not move in line with changes in pension schemes' liabilities.	To mitigate against investment risk the UK Plan invests in a way which aims to hedge a large proportion of the movements in the corresponding liabilities and investments are diversified across and within asset classes, to avoid overexposure to any one asset class or market. The trustees and the Group regularly monitor the funding position and operate a diversified investment strategy.
<b>Life expectancy</b>	The schemes' obligations are to provide benefits for the life of the member and so increases in life expectancy will lead to higher liabilities.	The UK Plan's trustees and the Group regularly monitor the impact of changes in longevity on scheme obligations.

### SENSITIVITIES OF PRINCIPAL ASSUMPTIONS

Measurement of the Group's defined benefit obligations is particularly sensitive to changes in key assumptions, including discount rate, life expectancy and inflation. The sensitivities of the principal assumptions used to measure the defined benefit obligations of the schemes are set out below:

ASSUMPTION	CHANGE IN ASSUMPTION	IMPACT ON SCHEME DEFICIT 2018	IMPACT ON SCHEME DEFICIT 2017
<b>UK</b>			
Discount rate	Increase by 0.5%	Decrease by £188 million	Decrease by £203 million
	Decrease by 0.5%	Increase by £201 million	Increase by £218 million
Inflation	Increase by 0.5%	Increase by £110 million	Increase by £121 million
	Decrease by 0.5%	Decrease by £106 million	Decrease by £115 million
CPI Inflation	Increase by 0.5%	Increase by £25 million	Increase by £28 million
	Decrease by 0.5%	Decrease by £24 million	Decrease by £27 million
Life expectations from age 65	Increase by 1 year	Increase by £89 million	Increase by £93 million
Life expectations – long term annual improvement rate	Increase to 1.5% per annum	Increase by £38 million	Increase by £40 million
<b>USA AND OTHERS</b>			
Discount rate	Increase by 0.5%	Decrease by £12 million	Decrease by £18 million
	Decrease by 0.5%	Increase by £13 million	Increase by £19 million
Inflation	Increase by 0.5%	Increase by £5 million	Increase by £4 million
	Decrease by 0.5%	Decrease by £5 million	Decrease by £4 million
Life expectations from age 65	Increase by 1 year	Increase by £5 million	Increase by £8 million

The sensitivities above consider the impact of the single change shown, with the other assumptions assumed to be unchanged. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). The impact of a change in the UK inflation rate shown above includes the impact of a change in both the RPI and CPI inflation rates.

**20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED**

The Group's net pension surplus is the difference between the schemes' assets and the schemes' liabilities. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the changes in assumptions. For example, a fall in interest rates will increase the schemes' liabilities but may also trigger an offsetting increase in the market value of certain assets so there may be little effect on the Group's liability.

**ANALYSIS OF THE FAIR VALUE OF PLAN ASSETS**

At 30 September 2018, the assets of the various schemes were invested in a diversified portfolio that consisted primarily of equities and debt securities. The fair value of these assets is shown below by major category:

FAIR VALUE OF PLAN ASSETS BY MAJOR CATEGORY	2018				2017			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
<b>EQUITY TYPE ASSET</b>								
Global equities quoted	170	272	15	457	158	223	14	395
Global equities unquoted	–	–	17	17	–	–	15	15
<b>GOVERNMENT BONDS</b>								
UK fixed interest quoted	554	–	–	554	706	–	–	706
UK index linked quoted	997	–	–	997	885	–	–	885
Overseas quoted	–	–	9	9	–	7	–	7
Overseas unquoted	–	–	20	20	–	–	26	26
<b>CORPORATE BONDS</b>								
Corporate bonds quoted	515	65	–	580	530	123	–	653
Corporate bonds unquoted	–	–	–	–	–	–	–	–
Diversified securities quoted	–	–	–	–	–	–	–	–
<b>OTHER ASSETS</b>								
Property funds quoted	176	–	1	177	169	–	1	170
Property funds unquoted	–	–	13	13	–	–	11	11
Insurance policies unquoted	–	–	12	12	–	–	13	13
Other assets	–	–	9	9	–	–	9	9
Cash and cash equivalents	13	48	1	62	13	72	3	88
At 30 September	2,425	385	97	2,907	2,461	425	92	2,978

The UK Plan has holdings of diversified global equity type investments, mainly shares in listed companies. The return on these investments is variable, and they are generally considered to be 'riskier' investments. However, it is generally accepted that the yield on these investments will contain a premium to compensate investors for this additional risk. There is significant uncertainty about the likely size of this risk premium. In respect of investments held in global equities there is also a risk of unfavourable currency movements. The trustee manages these risks by holding approximately 50% of those investments in funds which are hedged against currency movements.

The UK Plan also holds corporate bonds and other fixed interest securities. The risk of default on these is assessed by various rating agencies. Some of these bond investments are issued by HM Government. The risk of default on these is lower compared to the risk on corporate bond investments, although some risk may remain. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value.

**20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED**

MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS	2018				2017			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
At 1 October	2,461	425	92	2,978	2,623	392	97	3,112
Currency adjustment	–	11	1	12	–	(15)	(2)	(17)
Interest income on plan assets	65	11	1	77	59	12	1	72
Return on plan assets, excluding interest income	–	20	1	21	(120)	25	(1)	(96)
Employee contributions	–	35	2	37	–	32	2	34
Employer contributions	3	17	12	32	3	20	13	36
Benefits paid	(104)	(34)	(12)	(150)	(104)	(40)	(17)	(161)
Administration expenses paid from plan assets	–	(1)	–	(1)	–	(1)	–	(1)
Disposals and plan settlements	–	(99)	–	(99)	–	–	(1)	(1)
At 30 September	2,425	385	97	2,907	2,461	425	92	2,978

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2018				2017			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
At 1 October	2,252	522	176	2,950	2,431	504	198	3,133
Currency adjustment	–	13	(2)	11	–	(18)	(3)	(21)
Current service cost	2	10	6	18	2	10	7	19
Past service cost	–	1	–	1	–	–	–	–
Interest expense on benefit obligations	60	15	2	77	55	16	2	73
Remeasurements – demographic assumptions	–	(1)	–	(1)	16	1	–	17
Remeasurements – financial assumptions	(82)	16	(3)	(69)	(149)	23	(10)	(136)
Remeasurements – experience	1	(1)	2	2	(1)	(5)	–	(6)
Employee contributions	–	35	2	37	–	32	3	35
Benefits paid	(106)	(31)	(10)	(147)	(102)	(41)	(18)	(161)
Disposals and plan settlements	–	(94)	–	(94)	–	–	(3)	(3)
At 30 September	2,127	485	173	2,785	2,252	522	176	2,950

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2018				2017			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
Funded obligations	2,079	385	110	2,574	2,202	421	110	2,733
Unfunded obligations	48	100	63	211	50	101	66	217
Total obligations	2,127	485	173	2,785	2,252	522	176	2,950

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2018					
	UK <sup>1</sup> £M	TOTAL £M	UK <sup>2</sup> £M	USA £M	OTHER £M	TOTAL £M
Present value of defined benefit obligations		(2,079)	(2,079)	(48)	(485)	(706)
Fair value of plan assets		2,425	2,425	–	385	482
Post employment benefit assets/(obligations) recognised in the balance sheet		346	346	(48)	(100)	(224)

1. UK funded defined benefit pension scheme.
2. UK unfunded defined benefit pension scheme.

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2017					
	UK <sup>1</sup> £M	TOTAL £M	UK <sup>2</sup> £M	USA £M	OTHER £M	TOTAL £M
Present value of defined benefit obligations		(2,202)	(2,202)	(50)	(522)	(748)
Fair value of plan assets		2,461	2,461	–	425	517
Post employment benefit assets/(obligations) recognised in the balance sheet		259	259	(50)	(97)	(231)

1. UK funded defined benefit pension scheme.
2. UK unfunded defined benefit pension scheme.

**20 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED**

Certain Group companies have taken out life insurance policies and invested in mutual funds which will be used to meet unfunded pension obligations. The current value of these policies and other assets, £56 million (2017: £46 million), may not be offset against pension obligations under IAS 19 and is reported within note 12.

**AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED INCOME STATEMENT**

The amounts recognised through the consolidated income statement within the various captions are as follows:

	2018				2017			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
Current service cost	2	10	6	18	2	10	7	19
Past service cost	–	1	–	1	–	–	–	–
Loss on settlement <sup>1</sup>	–	5	–	5	–	–	–	–
Charged to operating expenses	2	16	6	24	2	10	7	19
Interest expense on benefit obligations	60	15	2	77	55	16	2	73
Interest income on plan assets	(65)	(11)	(1)	(77)	(59)	(12)	(1)	(72)
Charged to finance costs	(5)	4	1	–	(4)	4	1	1
Total charged in the consolidated income statement	(3)	20	7	24	(2)	14	8	20

1. In the current year, Compass Group USA Inc. Retirement Plan for Salaried Employees has been settled. As a result, a £5 million loss has been recognised in the income statement on the settlement of the scheme liabilities.

The Group made total contributions to defined benefit schemes of £32 million in the year (2017: £36 million) and expects to make total contributions to these schemes of £30 million in 2019, including £18 million related to the defined benefit plans in USA and £3 million in UK.

The UK Plan is the largest scheme within the Group and was in surplus on a funding basis at the date of the most recent actuarial valuation as at 5 April 2016 and so no deficit contributions are currently required. The remaining Group funded schemes do not have significant minimum funding requirements whilst contributions to unfunded pension schemes are quite stable. As a result, we do not expect the required future contributions to change substantially beyond next year.

**AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The amounts recognised through the consolidated statement of comprehensive income are as follows:

	2018 £M	2017 £M
Remeasurement of post employment benefit obligations:		
Effect of changes in demographic assumptions	1	(17)
Effect of changes in financial assumptions	69	136
Effect of experience adjustments	(2)	6
Remeasurement of post employment benefit obligations – gain	68	125
Return on plan assets, excluding interest income – gain/(loss)	21	(96)
Total recognised in the consolidated statement of comprehensive income	89	29

## 21 SHARE CAPITAL

During 2017, the Company purchased 1,340,379 ordinary shares of 10<sup>5</sup>/<sub>8</sub> pence each (prior to consolidation) in accordance with its share buyback programme. Of the shares acquired during the last year, 10 were transferred into treasury and 1,340,369 were cancelled. £19 million was paid to acquire shares that were subsequently cancelled. The total amount paid to acquire all the shares was £19 million which has been deducted from shareholders' equity. There was no share buyback during the year.

In 2017, the Company returned £1 billion to shareholders by way of a special dividend (the Shareholder Return) which was accompanied by a consolidation of the entire share capital of the Company, whereby shareholders received 25 shares of 11<sup>1</sup>/<sub>20</sub> pence (the New Ordinary Shares) each in return for 26 shares of 10<sup>5</sup>/<sub>8</sub> pence held (the Existing Ordinary Shares) (the Share Capital Consolidation). On 26 June 2017, the Share Capital Consolidation took place and the New Ordinary Shares were admitted to trading on the main market of the London Stock Exchange at 8.00am on 27 June 2017. On 17 July 2017, the special dividend of 61.0 pence per Existing Ordinary Share was paid to shareholders. Costs in relation to the Shareholder Return were £3 million.

During the year, 2,556,731 treasury shares were released to satisfy employee shared based payments commitments (2017: 2,874,893 prior to consolidation and a further 138,174 after consolidation), leaving a balance held at 30 September 2018 of 5,671,445 (2017: 8,228,176). Proceeds received from the reissuance of treasury shares to satisfy employee share awards were £0.5 million (2017: £0.4 million).

In 2017, 15,575 11<sup>1</sup>/<sub>20</sub> pence ordinary shares were held by the Compass Group Long Term Incentive Plan Trust (LTIPT). During the year, these shares were utilised to satisfy the Group's liabilities to employees for long term incentive plans. There were no shares held by LTIPT at 30 September 2018.

	2018		2017	
	NUMBER OF SHARES	£M	NUMBER OF SHARES	£M
<b>ALLOTTED SHARE CAPITAL</b>				
<b>Allotted and fully paid:</b>				
Ordinary shares of 11 <sup>1</sup> / <sub>20</sub> pence each	<b>1,589,736,625</b>	<b>176</b>	1,589,736,625	176
At 30 September		<b>176</b>		176

	2018		2017	
	ORDINARY SHARES OF 11 <sup>1</sup> / <sub>20</sub> P EACH	ORDINARY SHARES OF 11 <sup>1</sup> / <sub>20</sub> P EACH	ORDINARY SHARES OF 11 <sup>1</sup> / <sub>20</sub> P EACH	ORDINARY SHARES OF 10 <sup>5</sup> / <sub>8</sub> P EACH
<b>ALLOTTED SHARE CAPITAL</b>				
At 1 October	<b>1,589,736,625</b>	–	–	1,654,666,459
Cancellation of shares	–	–	–	(1,340,369)
Conversion of 26 ordinary shares of 10 <sup>5</sup> / <sub>8</sub> pence each to 25 new ordinary shares of 11 <sup>1</sup> / <sub>20</sub> pence each	–	1,589,736,625	1,589,736,625	1,653,326,090
At 30 September	<b>1,589,736,625</b>	1,589,736,625	1,589,736,625	–

## 22 SHARE-BASED PAYMENTS

### INCOME STATEMENT EXPENSE

The Group recognised an expense of £21 million (2017: £21 million) in respect of share-based payment transactions. All share-based payment plans are equity-settled.

The expense is broken down by share-based payment scheme as follows:

	2018 £M	2017 £M
Long term incentive plans	<b>18</b>	20
Other share-based payment plans	<b>3</b>	1
	<b>21</b>	21

**22 SHARE-BASED PAYMENTS CONTINUED****LONG TERM INCENTIVE PLANS**

Full details of The Compass Group PLC Long Term Incentive Plan 2010 (2010 LTIP) can be found in the Directors' Remuneration Report on pages 71 to 93.

The following table shows the movement in share awards during the year:

<b>LONG TERM INCENTIVE PLANS</b>	<b>2018 NUMBER OF SHARES</b>	<b>2017 NUMBER OF SHARES</b>
Outstanding at 1 October	<b>6,306,286</b>	6,473,178
Awarded	<b>2,252,014</b>	2,080,814
Vested	<b>(1,717,595)</b>	(1,630,904)
Lapsed	<b>(943,316)</b>	(616,802)
Outstanding at 30 September	<b>5,897,389</b>	6,306,286

The vesting conditions of the LTIP awards is included in the Directors' Remuneration Report.

The fair value of awards subject to FCF and ROCE performance targets was calculated using the Black-Scholes option pricing model. The vesting probability of each element has been assessed based on a simulation model of the FCF and ROCE forecasts.

The weighted average share price at the date of vesting for LTIP awards vested during 2018 was 1,538.44 pence (2017: 1,353.09 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.4 years (2017: 1.5 years).

For the year ended 30 September 2018, a Board LTIP award was made on 9 February 2018 for which the estimated fair value was 1,071.36 pence. Leadership LTIP awards were also made on 22 November 2017 and 10 May 2018 for which the estimated fair value was 1,252.19 pence and 1,040.24 pence respectively.

For the year ended 30 September 2017, Board LTIP awards were made on 23 November 2016 and 11 May 2017 for which the estimated fair value was 1,012.39 pence and 1,128.70 pence respectively. Leadership LTIP awards were also made on 23 November 2016 and 11 May 2017 for which the estimated fair value was 1,115.43 pence and 1,219.55 pence respectively.

These awards were all made under the terms of the 2010 LTIP. The inputs to the option pricing model are reassessed for each award. The following assumptions were used in calculating the fair value of LTIP awards made during the year:

**ASSUMPTIONS – LONG TERM INCENTIVE PLANS**

	<b>2018</b>	<b>2017</b>
Expected volatility	<b>17.7%</b>	18.2%
Risk free interest rate	<b>1.5%</b>	1.3%
Dividend yield	<b>2.2%</b>	2.1%
Expected life	<b>2.6 years</b>	3.0 years
Weighted average share price at date of grant	<b>1,510.60p</b>	1,503.03p

**OTHER SHARE-BASED PAYMENT PLANS**

The following table shows the movements in other smaller share-based payment plans during the year:

<b>OTHER SHARE-BASED PAYMENT PLANS</b>	<b>2018 NUMBER OF SHARES</b>	<b>2017 NUMBER OF SHARES</b>
Outstanding at 1 October	<b>3,349,787</b>	5,494,803
Awarded	<b>90,210</b>	404,119
Vested, released and exercised	<b>(854,711)</b>	(1,465,354)
Lapsed (following net settlement)	<b>(244,768)</b>	(586,889)
Lapsed	<b>(165,455)</b>	(496,892)
Outstanding at 30 September	<b>2,175,063</b>	3,349,787

The expense relating to these plans is not significant and no further disclosure is necessary except for the general details provided below:



## 22 SHARE-BASED PAYMENTS CONTINUED

### 1. SHARE OPTIONS

Full details of The Compass Group Share Option Plan 2010 (CSOP 2010), the Compass Group Share Option Plan (CSOP 2000), the Compass Group Management Share Option Plan (Management Plan) (collectively the Executive and Management Share Option Plans) and the UK Sharesave Plan are set out in prior years' annual reports which are available on the Company's website.

### 2. DEFERRED ANNUAL BONUS PLAN (DAB)

Certain senior executives participate in the DAB. A portion of the annual bonus awarded to certain executives is converted into shares. Subject to the achievement of local organic revenue growth and cumulative PBIT over the three year deferral period, the number of deferred shares may be increased. Enhancements to the deferred shares are only released to the participants subject to the performance levels being met.

### 3. RESTRICTED SHARES

Occasional awards to certain employees in order to incentivise the achievement of particular business objectives under specific circumstances or where similar such shares have been forfeit by a new employee on joining the Company. The plan can take different forms such as an award of shares dependent on service or achievement of specific performance conditions other than service.

### 4. LONG TERM BONUS PLAN

Certain executives participating in the Long Term Bonus Plan in prior years received an award of deferred Compass Group PLC shares. The award of bonus shares is subject to performance conditions and matching shares may be released by the Company following the completion of a further period of service. The terms of the Plan require that these shares are purchased in the market, rather than being issued by the Company. The shares are purchased and distributed by the Executive Share Option Plan (ESOP) and LTIP Trust (LTIPT).

## 23 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

### ACQUISITIONS

The main acquisitions completed during the year are as follows:

The total cash spent on acquisitions during the year, net of cash acquired, was £420 million (2017: £96 million). The most significant acquisition during the year relates to Unidine.

On 29 December 2017, Compass Group USA, Inc., a USA subsidiary of the Group, purchased 80% of the share capital of Unidine Corp. for an initial consideration of £234 million (\$305 million). Unidine Corp. is a Massachusetts based company that operates as a caterer in the healthcare and seniors market. The preliminary goodwill in relation to the assets acquired is £193 million (\$252 million). This goodwill is provisional and will be finalised within 12 months of the acquisition date. Changes are expected to principally relate to the valuation of contracts acquired. This goodwill represents the premium the Group paid to acquire a company that complements its existing businesses and creates significant opportunities for cross selling and other synergies.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of Unidine Corp.

	BOOK VALUE £M	FAIR VALUE £M
<b>Net assets acquired</b>		
Goodwill arising on acquisition	–	193
Contract related and other intangibles arising on acquisition	4	117
Trade and other receivables	25	25
Other assets	7	7
Cash and cash equivalents	6	6
Deferred tax	–	(25)
Trade and other payables	(8)	(8)
Other liabilities	(23)	(23)
Fair value of net assets acquired		292
<b>Satisfied by</b>		
Cash consideration		234
Contingent consideration		58
Total consideration		292

**23 ACQUISITION, SALE AND CLOSURE OF BUSINESSES CONTINUED**

In addition to the acquisitions set out above, the Group has also completed several smaller bolt-on acquisitions in several countries. A summary of all acquisitions completed during the period is included below:

	2018		2017	
	BOOK VALUE £M	FAIR VALUE £M	BOOK VALUE £M	FAIR VALUE £M
<b>Net assets acquired</b>				
Goodwill arising on acquisition	–	312	–	43
Contract related and other intangibles arising on acquisition	27	243	–	44
Trade and other receivables	46	46	3	3
Other assets	21	21	7	7
Cash and cash equivalents	9	9	1	1
Deferred tax	–	(39)	–	(3)
Trade and other payables	(51)	(51)	(3)	(3)
Other liabilities	(15)	(16)	(8)	(5)
Fair value of net assets acquired		525		87
Non-controlling interest acquired		(4)		–
<b>Satisfied by</b>				
Cash consideration		406		72
Contingent consideration <sup>1</sup>		115		15
Total consideration		521		87
<b>Cash flow</b>				
Cash consideration		406		72
Cash acquired		(9)		(1)
Acquisition transaction costs		4		2
Net cash outflow arising on acquisition		401		73
Deferred consideration and other payments relating to previous acquisitions		19		23
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings		420		96

1. Contingent consideration is an estimate at the date of acquisition of the amount of additional consideration that will be payable in the future. The actual amount paid can vary from the estimate depending on the terms of the transaction and, for example, the actual performance of the acquired business.

The adjustments made in respect of acquisitions in the year to 30 September 2018 are provisional and will be finalised within 12 months of the acquisition date, principally in relation to the valuation of contracts acquired.

The goodwill arising on the acquisition of the businesses represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. The goodwill arising is not expected to be deductible for tax purposes.

In the period from acquisition to 30 September 2018, the acquisitions contributed revenue of £210 million and operating profit of £13 million to the Group's results (2017: £45 million and £2.5 million respectively).

If the acquisitions had occurred on 1 October 2017, it is estimated that the combined sales of Group and equity accounted joint ventures for the period would have been £23,387 million and total Group operating profit (including associates) would have been £1,701 million.

## 23 ACQUISITION, SALE AND CLOSURE OF BUSINESSES CONTINUED

### SALE AND CLOSURE OF BUSINESSES

Following a strategic review of the business, the Group decided to take actions to simplify its portfolio of businesses based on an assessment of market growth opportunity, scalability, the Group's market position and capabilities.

As a result of this review and some prior year disposals, the Group consolidated income statement includes a £58 million net loss on sale and closure of businesses (2017: £nil) and a related tax charge of £10 million. This balance includes a £19 million write-down of net assets for businesses that are held for sale where the carrying amount was higher than net realisable value. The remaining £39 million consists of a net gain on disposal offset by asset write-downs and exit costs relating to committed or completed business exits.

As at the balance sheet date, the Group has classified certain businesses, including South Africa, Vision Security Group in the UK and part of our US laundries business, as held for sale as these disposals are highly probable and are expected to be completed within 12 months.

The sale of Vision Security Group to Mitie Group plc completed after the balance sheet date in October 2018.

The major classes of assets and liabilities classified as held for sale as at 30 September 2018 are as follows:

	CARRYING AMOUNT £M
Goodwill	21
Other intangible assets	17
Property, plant and equipment	58
Interest in joint ventures and associates	1
Trade and other receivables	82
Inventory	33
Other	24
<b>Total assets held for sale</b>	<b>236</b>
Trade and other payables	(70)
Other	(2)
<b>Total liabilities directly associated with the assets held for sale</b>	<b>(72)</b>

Cumulative income or expenses included in other comprehensive income relating to these businesses amount to £21 million of foreign exchange losses.

The non-recurring fair value measurement of the businesses held for sale is categorised as a Level 3 fair value, and is primarily based on offers received or agreed sale price for these businesses from interested parties.

## 24 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2018 £M	2017 £M
Operating profit before joint ventures and associates	<b>1,640</b>	1,623
Adjustments for:		
Acquisition transaction costs	<b>4</b>	2
Amortisation of intangible assets	<b>233</b>	221
Amortisation of intangible assets arising on acquisition	<b>44</b>	39
Depreciation of property, plant and equipment	<b>267</b>	262
Profit on disposal of property, plant and equipment/intangible assets	<b>(7)</b>	–
Decrease in provisions	<b>(45)</b>	(24)
Post employment benefit obligations net of service costs	<b>(8)</b>	(14)
Share-based payments – charged to profits	<b>21</b>	21
Operating cash flows before movement in working capital	<b>2,149</b>	2,130
Increase in inventories	<b>(30)</b>	(11)
Increase in receivables	<b>(187)</b>	(152)
Increase in payables	<b>365</b>	101
Cash generated from operations	<b>2,297</b>	2,068

**25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

This table is presented as additional information to show movement in net debt, defined as overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.

	GROSS DEBT								NET DEBT £M
	CASH AND CASH EQUIVALENTS £M	BANK OVERDRAFTS £M	BANK AND OTHER BORROWINGS £M	TOTAL OVERDRAFTS AND BORROWINGS £M	FINANCE LEASES £M	DERIVATIVE FINANCIAL INSTRUMENTS £M	TOTAL GROSS DEBT £M		
<b>NET DEBT</b>									
At 1 October 2016	346	(27)	(3,355)	(3,382)	(14)	176	(3,220)	(2,874)	
Net increase in cash and cash equivalents	52	–	–	–	–	–	–	52	
Cash outflow from repayment of bank loans	–	–	536	536	–	–	536	536	
Cash inflow from borrowing of bank loans	–	–	(301)	(301)	–	–	(301)	(301)	
Cash outflow from repayment of loan notes	–	–	35	35	–	–	35	35	
Cash inflow from issue of bonds	–	–	(942)	(942)	–	–	(942)	(942)	
Cash outflow/(inflow) from other changes in gross debt	–	16	1	17	–	(64)	(47)	(47)	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	6	–	6	6	
Increase in net debt as a result of new finance leases	–	–	–	–	(2)	–	(2)	(2)	
Currency translation (losses)/gains	(11)	3	17	20	–	80	100	89	
Other non-cash movements	–	–	68	68	–	(66)	2	2	
At 30 September 2017	387	(8)	(3,941)	(3,949)	(10)	126	(3,833)	(3,446)	
Net increase in cash and cash equivalents	<b>602</b>	–	–	–	–	–	–	<b>602</b>	
Cash outflow from repayment of bank loans	–	–	<b>1,074</b>	<b>1,074</b>	–	–	<b>1,074</b>	<b>1,074</b>	
Cash inflow from borrowing of bank loans	–	–	<b>(772)</b>	<b>(772)</b>	–	–	<b>(772)</b>	<b>(772)</b>	
Cash inflow from issue of bonds	–	–	<b>(686)</b>	<b>(686)</b>	–	–	<b>(686)</b>	<b>(686)</b>	
Reclassified as held for sale	<b>(22)</b>	–	–	–	–	–	–	<b>(22)</b>	
Cash (inflow)/outflow from other changes in gross debt	–	<b>(67)</b>	<b>17</b>	<b>(50)</b>	–	<b>2</b>	<b>(48)</b>	<b>(48)</b>	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	<b>6</b>	–	<b>6</b>	<b>6</b>	
Increase in net debt as a result of new finance leases	–	–	–	–	<b>(2)</b>	–	<b>(2)</b>	<b>(2)</b>	
Currency translation gains/(losses)	<b>2</b>	<b>(1)</b>	<b>(62)</b>	<b>(63)</b>	–	<b>(6)</b>	<b>(69)</b>	<b>(67)</b>	
Other non-cash movements	–	–	<b>28</b>	<b>28</b>	–	<b>(50)</b>	<b>(22)</b>	<b>(22)</b>	
At 30 September 2018	<b>969</b>	<b>(76)</b>	<b>(4,342)</b>	<b>(4,418)</b>	<b>(6)</b>	<b>72</b>	<b>(4,352)</b>	<b>(3,383)</b>	

Other non-cash movements are comprised as follows:

	2018 £M	2017 £M
<b>OTHER NON-CASH MOVEMENTS IN NET DEBT</b>		
Amortisation of fees and discount on issuance	(4)	(3)
Loans acquired through business acquisition	(12)	–
Changes in the fair value of bank and other borrowings in a designated fair value hedge	44	71
Bank and other borrowings	28	68
Changes in the value of derivative financial instruments including accrued income	(50)	(66)
Other non-cash movements	(22)	2

## 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT CONTINUED

		2018							
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		REPAYMENT OF BANK LOANS £M	BORROWING OF BANK LOANS £M	REPAYMENT OF LOAN NOTES £M	ISSUE OF BONDS £M	CASH (INFLOW)/ OUTFLOW FROM OTHER £M	DIVIDENDS £M	REPURCHASE OF TREASURY SHARES £M	TOTAL £M
Debt		1,074	(772)	–	(686)	(43)	–	–	(427)
Equity		–	–	–	–	5	557	–	562
Total									135

		2017							
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		REPAYMENT OF BANK LOANS £M	BORROWING OF BANK LOANS £M	REPAYMENT OF LOAN NOTES £M	ISSUE OF BONDS £M	CASH (INFLOW)/ OUTFLOW FROM OTHER £M	DIVIDENDS £M	REPURCHASE OF TREASURY SHARES £M	TOTAL £M
Debt		536	(301)	35	(942)	(41)	–	–	(713)
Equity		–	–	–	–	–	1,547	19	1,566
Total									853

## 26 CONTINGENT LIABILITIES

### PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES

	2018 £M	2017 £M
Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>1</sup>	358	387

1. Excludes post employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 28.

### PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of such guarantees relating to the Group's own contracts and/or the Group's share of certain contractual obligations of joint arrangements and associates. Where the Group enters into such arrangements, it does so in order to provide assurance to the beneficiary that it will fulfil its existing contractual obligations. The issue of such guarantees and indemnities does not therefore increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

### EUREST SUPPORT SERVICES

On 21 October 2005, the Company announced that it had instructed Freshfields Bruckhaus Deringer to conduct an investigation into the relationships between Eurest Support Services (ESS) (a member of the Group), IHC Services Inc. (IHC) and the United Nations (UN). Ernst & Young assisted Freshfields Bruckhaus Deringer in this investigation. On 1 February 2006, it was announced that the investigation had concluded.

The investigation established serious irregularities in connection with contracts awarded to ESS by the UN. The work undertaken by Freshfields Bruckhaus Deringer and Ernst & Young gave no reason to believe that these issues extended beyond a few individuals within ESS to other parts of ESS or the wider Compass Group of companies.

The Group settled all outstanding civil litigation against it in relation to this matter in October 2006, but litigation continues between competitors of ESS, IHC and other parties involved in UN procurement.

IHC's relationship with the UN and ESS was part of a wider investigation into UN procurement activity being conducted by the United States Attorney's Office for the Southern District of New York, and with which the Group co-operated fully. The current status of that investigation is uncertain and a matter for the US authorities. Those investigators could have had access to sources unavailable to the Group, Freshfields Bruckhaus Deringer or Ernst & Young, and further information may yet emerge which is inconsistent with, or additional to, the findings of the Freshfields Bruckhaus Deringer investigation, which could have an adverse impact on the Group. The Group has, however, not been contacted by, or received further requests for information from, the United States Attorney's Office for the Southern District of New York in connection with these matters since January 2006. The Group has co-operated fully with the UN throughout.

**26 CONTINGENT LIABILITIES CONTINUED****OTHER LITIGATION AND CLAIMS**

The Group is also involved in various other legal proceedings incidental to the nature of its business and maintains insurance cover to reduce financial risk associated with claims related to these proceedings. Where appropriate, provisions are made to cover any potential uninsured losses.

The increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes has increased. The Group is currently subject to a number of audits and reviews in jurisdictions around the world that primarily relate to complex corporate tax issues. None of these tax audits are currently expected to have a material impact on the Group's financial position. In addition, we continue to engage with tax authorities and other regulatory bodies on both payroll and sales tax reviews, and compliance with labour laws and regulations. Again, we currently do not expect any of these to have a material impact on the Group's financial position.

On 24 November 2017, the European Commission published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation, finding that the legislation is in breach of EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this investigation, the timing of which, including any appeal, is uncertain. We have calculated our maximum potential liability as at 30 September 2018 to be £108 million, but do not consider that any provision is required in this respect based on our current assessment of the issue.

**OUTCOME**

Although it is not possible to predict the outcome or quantify the financial effect of these proceedings, or any claim against the Group related thereto, in the opinion of the directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group. The timing of the settlement of these proceedings or claims is uncertain.

**27 CAPITAL COMMITMENTS****CAPITAL COMMITMENTS**

	2018 £M	2017 £M
Contracted for but not provided for	<b>498</b>	403

The majority of capital commitments are for intangible assets.

**28 OPERATING LEASE AND CONCESSIONS COMMITMENTS**

The Group leases offices and other premises under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights.

Future minimum rentals payable under non-cancellable operating leases and concessions agreements are as follows:

	2018			2017		
	OPERATING LEASES		OTHER OCCUPANCY RENTALS £M	OPERATING LEASES		OTHER OCCUPANCY RENTALS £M
	LAND AND BUILDINGS £M	OTHER ASSETS £M		LAND AND BUILDINGS £M	OTHER ASSETS £M	
OPERATING LEASE AND CONCESSIONS COMMITMENTS						
Falling due within 1 year	70	71	75	61	71	76
Falling due between 2 and 5 years	188	127	154	167	132	166
Falling due in more than 5 years	150	11	162	116	14	172
Total	<b>408</b>	<b>209</b>	<b>391</b>	344	217	414

## 29 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties of Compass Group PLC:

### SUBSIDIARIES

Transactions between the ultimate Parent Company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

### JOINT VENTURES

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the year.

### ASSOCIATES

The balances with associated undertakings are shown in note 13. There were no significant transactions with associated undertakings during the year.

### KEY MANAGEMENT PERSONNEL

The remuneration of directors and key management personnel is set out in note 3. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

## 30 POST BALANCE SHEET EVENTS

A judgement on the recent Lloyds Banking Group High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. The judgement indicates that Trustees should amend scheme benefits to equalise for the effect of unequal GMPs and indicates an acceptable range of methods for how to do so. Initial estimates indicate that this obligation could be between 1% and 2% of the gross liabilities of the Group's UK defined benefit pension plan (£20 million – £40 million). The effects of the ruling will be recognised in the next financial year when the obligation to amend the plan's benefits has arisen. Additional disclosure in relation to this matter is provided in note 20.

There were no other material post balance sheet events.

## 31 EXCHANGE RATES

	2018	2017
<b>AVERAGE EXCHANGE RATE FOR THE YEAR<sup>1</sup></b>		
Australian Dollar	1.77	1.67
Brazilian Real	4.73	4.09
Canadian Dollar	1.73	1.68
Chilean Peso	850.39	837.69
Euro	1.13	1.15
Japanese Yen	149.06	141.38
New Zealand Dollar	1.93	1.78
Norwegian Krone	10.88	10.55
Turkish Lira	5.92	4.44
UAE Dirham	4.95	4.69
US Dollar	1.35	1.28
<b>CLOSING EXCHANGE RATE AS AT 30 SEPTEMBER<sup>1</sup></b>		
Australian Dollar	1.80	1.71
Brazilian Real	5.21	4.24
Canadian Dollar	1.69	1.68
Chilean Peso	860.15	857.49
Euro	1.12	1.13
Japanese Yen	148.12	151.02
New Zealand Dollar	1.97	1.86
Norwegian Krone	10.62	10.68
Turkish Lira	7.83	4.77
UAE Dirham	4.79	4.93
US Dollar	1.30	1.34

1. Average rates are used to translate the income statement and cash flow statement. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

## 32 STATUTORY AND UNDERLYING RESULTS

	NOTES	2018 STATUTORY £M	ADJUSTMENTS						2018 UNDERLYING £M
			1	2	3	4	5	6	
Operating profit	1	1,690	44	4	1	2	–	–	1,741
Net loss on sale and closure of businesses		(58)	–	–	–	–	58	–	–
<b>Net finance cost</b>		<b>(112)</b>	–	–	–	–	–	(2)	<b>(114)</b>
Finance income		6	–	–	–	–	–	–	6
Finance costs		(120)	–	–	–	–	–	–	(120)
Other financing items		2	–	–	–	–	–	(2)	–
<b>Profit before tax</b>		<b>1,520</b>	<b>44</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>58</b>	<b>(2)</b>	<b>1,627</b>
Income tax expense		(387)	(11)	(1)	–	(2)	10	1	(390)
Tax rate		25.5%							24.0%
<b>Profit for the year</b>		<b>1,133</b>	<b>33</b>	<b>3</b>	<b>1</b>	<b>–</b>	<b>68</b>	<b>(1)</b>	<b>1,237</b>
Non-controlling interests		(8)	–	–	–	–	–	–	(8)
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,125</b>	<b>33</b>	<b>3</b>	<b>1</b>	<b>–</b>	<b>68</b>	<b>(1)</b>	<b>1,229</b>
Average number of shares (millions)		1,584	–	–	–	–	–	–	1,584
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>71.0</b>	<b>2.1</b>	<b>0.2</b>	<b>0.1</b>	<b>–</b>	<b>4.3</b>	<b>(0.1)</b>	<b>77.6</b>

	NOTES	2017 STATUTORY £M	ADJUSTMENTS						2017 UNDERLYING £M
			1	2	3	4	5	6	
Operating profit	1	1,665	39	2	(3)	2	–	–	1,705
<b>Net finance cost</b>		<b>(105)</b>	–	–	–	–	–	(9)	<b>(114)</b>
Finance income		6	–	–	–	–	–	–	6
Finance costs		(120)	–	–	–	–	–	–	(120)
Other financing items		9	–	–	–	–	–	(9)	–
<b>Profit before tax</b>		<b>1,560</b>	<b>39</b>	<b>2</b>	<b>(3)</b>	<b>2</b>	<b>–</b>	<b>(9)</b>	<b>1,591</b>
Income tax expense		(389)	(14)	–	–	(2)	–	1	(404)
Tax rate		24.9%							25.4%
<b>Profit for the year</b>		<b>1,171</b>	<b>25</b>	<b>2</b>	<b>(3)</b>	<b>–</b>	<b>–</b>	<b>(8)</b>	<b>1,187</b>
Non-controlling interests		(10)	–	–	–	–	–	–	(10)
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,161</b>	<b>25</b>	<b>2</b>	<b>(3)</b>	<b>–</b>	<b>–</b>	<b>(8)</b>	<b>1,177</b>
Average number of shares (millions)		1,628	–	–	–	–	–	–	1,628
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>71.3</b>	<b>1.5</b>	<b>0.1</b>	<b>(0.2)</b>	<b>–</b>	<b>–</b>	<b>(0.4)</b>	<b>72.3</b>

Underlying profit and underlying earnings per share measures are not recognised measures under EU-adopted IFRS and may not be directly comparable with adjusted measures used by other companies. Underlying operating profit is considered by the Board to better reflect the economic substance of the Group's trading during the year and provides financial measures that, together with the results prepared in accordance with adopted IFRS, provide better analysis of the results of the Group.

### ADJUSTMENTS:

1. Amortisation of intangibles arising on acquisition.
2. Acquisition transaction costs.
3. Adjustment to contingent consideration on acquisition.
4. Tax on share of profit of joint ventures.
5. (Loss)/profit on sale and closure of businesses.
6. Other financing items including hedge accounting ineffectiveness and change in the fair value of investments.



### 33 ORGANIC REVENUE AND ORGANIC PROFIT

	GEOGRAPHICAL SEGMENTS				GROUP £M
	NORTH AMERICA £M	EUROPE <sup>1</sup> £M	REST OF WORLD <sup>1</sup> £M	CENTRAL ACTIVITIES £M	
<b>2018</b>					
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>13,785</b>	<b>5,783</b>	<b>3,671</b>	–	<b>23,239</b>
% growth reported rates	3.5%	3.3%	(6.6%)	–	1.7%
% growth constant currency	9.1%	2.7%	2.6%	–	6.4%
Organic adjustments	(209)	(38)	(7)	–	(254)
Organic revenue	13,576	5,745	3,664	–	22,985
<b>% growth organic</b>	<b>7.8%</b>	<b>2.1%</b>	<b>2.9%</b>	–	<b>5.5%</b>
<b>2017</b>					
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>13,322</b>	<b>5,598</b>	<b>3,932</b>	–	<b>22,852</b>
Currency adjustments	(691)	31	(353)	–	(1,013)
Constant currency underlying revenue	12,631	5,629	3,579	–	21,839
Organic adjustments	(34)	(3)	(17)	–	(54)
Organic revenue	12,597	5,626	3,562	–	21,785
<b>2018</b>					
<b>Regional underlying operating profit</b>	<b>1,120</b>	<b>395</b>	<b>276</b>	<b>(70)</b>	1,721
Share of profit of associates	14	6	–	–	20
<b>Group underlying operating profit</b>	<b>1,134</b>	<b>401</b>	<b>276</b>	<b>(70)</b>	<b>1,741</b>
<b>Underlying operating margin (excluding associates)</b>	<b>8.1%</b>	<b>6.8%</b>	<b>7.5%</b>	–	<b>7.4%</b>
% growth reported rates	3.5%	(3.9%)	4.2%	–	2.1%
% growth constant currency	9.2%	(4.4%)	14.5%	–	7.1%
Organic adjustments	(15)	(1)	(1)	–	(17)
Regional underlying organic operating profit (excluding associates)	1,105	394	275	(70)	1,704
Group underlying organic operating profit (including associates)	1,119	400	275	(70)	1,724
<b>% growth organic</b>	<b>8.1%</b>	<b>(4.6%)</b>	<b>15.1%</b>	–	<b>6.4%</b>
<b>2017</b>					
<b>Regional underlying operating profit</b>	<b>1,082</b>	<b>411</b>	<b>265</b>	<b>(70)</b>	1,688
Share of profit of associates	12	5	–	–	17
<b>Group underlying operating profit</b>	<b>1,094</b>	<b>416</b>	<b>265</b>	<b>(70)</b>	<b>1,705</b>
<b>Underlying operating margin (excluding associates)</b>	<b>8.1%</b>	<b>7.3%</b>	<b>6.7%</b>	–	<b>7.4%</b>
Currency adjustments – profit	(56)	2	(24)	–	(78)
Currency adjustments – associates	(1)	–	–	–	(1)
Regional constant currency underlying profit (excluding associates)	<b>1,026</b>	<b>413</b>	<b>241</b>	(70)	1,610
Group constant currency underlying operating profit (including associates)	1,037	418	241	(70)	<b>1,626</b>
Organic adjustments	(4)	–	(2)	–	(6)
Regional underlying organic operating profit (excluding associates)	<b>1,022</b>	<b>413</b>	<b>239</b>	(70)	1,604
Share of profit from associates – constant currency	11	5	–	–	16
Group underlying organic operating profit (including associates)	1,033	418	239	(70)	<b>1,620</b>

1. Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.

## Notes to the consolidated financial statements continued

For the year ended 30 September 2018

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC

PRINCIPAL SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITIES
<b>Ground Floor 35-51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>			
Compass Group (Australia) Pty Limited	Australia	100	Food and support services
<b>Rua Tutoia, 119, Vila Mariana, Sao Paulo, 04007-000, Brazil</b>			
GR Serviços e Alimentação Ltda.	Brazil	100	Food and support services
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>			
Compass Group Canada Ltd. Groupe Compass Canada Ltée <sup>(iii) (iv) (v) (vi)</sup>	Canada	100	Food and support services
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>			
Compass Group France Holdings SAS	France	100	Holding company
Compass Group France SAS	France	100	Food and support services
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>			
Compass Group Deutschland GmbH	Germany	100	Holding company
Eurest Deutschland GmbH	Germany	100	Food service to business and industry
Eurest Services GmbH	Germany	100	Support services to business and industry
Food Affairs GmbH	Germany	100	Food service for the events market
Medirect GmbH & Co OHG	Germany	100	Food service to the healthcare and senior living market
<b>Via Angelo Scarsellini, 14, 20161, Milano, Italy</b>			
Compass Group Italia S.p.A.	Italy	100	Food service, support services
<b>Hamariyū Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>			
Seiyō Food-Compass Group, Inc.	Japan	100	Food and support services
<b>Laarderhoogteweg 11, 1101 DZ, Amsterdam, Netherlands</b>			
Compass Group International B.V.	Netherlands	100	Holding company
Compass Group Nederland B.V.	Netherlands	100	Food and support services
Compass Group Nederland Holding B.V.	Netherlands	100	Holding company
Eurest Services B.V.	Netherlands	100	Food and support services
<b>22 Milkyway Avenue, Linbro Park, Sandton, Gauteng, 2090, South Africa</b>			
Compass Group Southern Africa (Pty) Ltd <sup>(iii) (iv) (vii)</sup>	South Africa	59	Food and support services
Supercare Services Group (Proprietary) Limited <sup>(iii)</sup>	South Africa	59	Support services
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Balears, Spain</b>			
Compass Group Holdings Spain, S.L.	Spain	100	Holding company
<b>Calle Pinar de San José 98 planta 1ª 28054 Madrid, Spain</b>			
Eurest Colectividades S.L.	Spain	100	Food and support services
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>			
Compass Group (Schweiz) AG	Switzerland	100	Food and support services
Restorama AG	Switzerland	100	Food service
<b>İçlerenköy Mah. Yeşil vadi sokak, No: 3 D: 12-13-14, 34752 Atasehir, Istanbul, Turkey</b>			
Sofra Yemek Üretim Ve Hizmet A.Ş. <sup>(iii)</sup>	Turkey	100	Food and support services
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>			
Compass Contract Services (U.K.) Limited	UK	100	Food and support services
Compass Group, UK and Ireland Limited	UK	100	Holding company
Compass Purchasing Limited	UK	100	Purchasing services in the UK and Ireland

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

PRINCIPAL SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITIES
Compass Services (U.K.) Limited	UK	100	Food and support services
Letheby & Christopher Limited	UK	100	Food service for the UK sports and events market
Scolarest Limited	UK	100	Food service for the UK education market
VSG Group Limited <sup>(vi)</sup>	UK	100	Security and support services
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, United Kingdom</b>			
Compass Group Holdings PLC <sup>(vi)</sup>	UK	100	Holding company and corporate activities
Compass Group Procurement Limited	UK	100	Purchasing services throughout the world
Hospitality Holdings Limited <sup>(i)</sup>	UK	100	Intermediate holding company
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>			
Bon Appétit Management Co. <sup>(vii)</sup>	USA	100	Food service
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>			
Compass Group USA Investments Inc.	USA	100	Holding company
Compass Group USA, Inc. <sup>(viii)</sup>	USA	100	Food and support services
Crothall Services Group	USA	100	Support services to the healthcare market
Foodbuy, LLC	USA	100	Purchasing services in North America
Restaurant Associates Corp.	USA	100	Fine dining facilities
Wolfgang Puck Catering and Events, LLC	USA	90	Fine dining facilities
<b>80 State Street, Albany, NY 12207-2543, USA</b>			
Flik International Corp.	USA	100	Fine dining facilities
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			
Levy Restaurants Limited Partnership	USA	100	Fine dining and food service at sports and entertainment facilities
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>			
Morrison Management Specialists, Inc. <sup>(viii)</sup>	USA	100	Food service to the healthcare and senior living market

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Chez: Eurojapan Résidence No.23, RN n°3 BP 398, Hassi Messaoud, Algeria</b>		
Eurest Algerie SPA	Algeria	100
<b>Esteban Echeverría 1050, 6th floor, Vicente Lopez (1602), Buenos Aires, Argentina</b>		
Servicios Compass de Argentina S.A.	Argentina	100
<b>Ground Floor 35 – 51 Mitchell Street, McMahon's Point, NSW 2060, Australia</b>		
Compass Australia PTY Ltd <sup>(a)</sup>	Australia	100
Compass (Australia) Catering & Services PTY Ltd <sup>(a) (v)</sup>	Australia	100
Compass Group B&I Hospitality Services PTY Ltd	Australia	100
Compass Group Defence Hospitality Services PTY Ltd	Australia	100
Compass Group Education Hospitality Services PTY Ltd	Australia	100
Compass Group Healthcare Hospitality Services PTY Ltd	Australia	100
Compass Group Health Services Pty Ltd	Australia	100
Compass Group Management Services PTY Ltd	Australia	100
Compass Group Relief Hospitality Services PTY Ltd	Australia	100
Compass Group Remote Hospitality Services PTY Ltd	Australia	100
Delta Facilities Management PTY Ltd	Australia	100
Delta FM Australia PTY Ltd	Australia	100
Eurest (Australia) Food Services – NSW Pty Ltd	Australia	100
Eurest (Australia) Food Services – Wollongong PTY Ltd	Australia	100
Eurest (Australia) Food Services PTY Ltd	Australia	100
Eurest (Australia) Licence Holdings PTY Ltd	Australia	100
Eurest (Australia) PTY Ltd	Australia	100
Heritage Catering & Services PTY Ltd	Australia	100
LAPG Education PTY Ltd	Australia	100
LAPG PTY Ltd	Australia	100
Life's A Party Group PTY Ltd	Australia	100
Life's A Party PTY Ltd	Australia	100
Omega Security Services PTY Ltd	Australia	100
Restaurant Associates (Australia) PTY Ltd	Australia	100
Sargem PTY Ltd	Australia	100
<b>Level 4, 369 Royal Parade, Parkville, Victoria 3052, Australia</b>		
Eurest (Australia) – Victoria PTY Ltd	Australia	100
<b>Level 22, 135 King Street, Sydney, NSW 2000, Australia</b>		
MBM Integrated Services Pty <sup>(a)</sup>	Australia	100
<b>IZD Tower, Wagramer Strasse 19/4. Stock, 1220 Wien, Austria</b>		
Compass Group Austria Holdings One GmbH	Austria	100
Compass Group Austria Holdings Two GmbH	Austria	100
Eurest Restaurationsbetriebs GmbH	Austria	100
Kunz Gebäudereinigung GmbH	Austria	100
<b>Chaussée de Haecht 1179, B-1130 Bruxelles, Belgium</b>		
Compass Group Belgilux S.A.	Belgium	100
Compass Group Service Solutions S.A.	Belgium	100
F.L.R. Holding S.A. <sup>(a)</sup>	Belgium	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Rua Orissanga, 200, 1st Floor, Mirandópolis, São Paulo, 04. 052-030, Brazil</b>		
Clean Mall Serviços Ltda.	Brazil	100
<b>Rua Orissanga, 200, 3rd Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>		
GRSA Serviços LTDA.	Brazil	100
<b>Craigmuir Chambers, PO Box 71, Roadtown, Tortola, VG1110, British Virgin Islands</b>		
Compass Group Holdings (BVI) Limited	British Virgin Islands	100
<b>c/o Action Group Ltd., No.12, Street 614, Sangkat Boeung Kok II, Khan Tuol Kork, Phnom Penh City, Cambodia</b>		
Compass Group (Cambodia) Co. Ltd. <sup>(a)</sup>	Cambodia	100
<b>100, Rue n° 1044 Hydrocarbures, Bonapriso, BP 5767, Douala, Cameroon</b>		
Eurest Cameroun SARL <sup>(a)</sup>	Cameroon	100
Eurest Camp Logistics Cameroun SARL <sup>(a)</sup>	Cameroon	100
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>		
2037911 Ontario Limited	Canada	100
Canteen of Canada Ltd	Canada	100
Compass Canada Support Services Ltd <sup>(a) (v) (vi) (vii)</sup>	Canada	100
Compass Group Ontario Ltd	Canada	100
<b>350 – 7th Avenue SW, Suite 3400, Calgary, AB T2P 3N9, Canada</b>		
2104797 Alberta Ltd <sup>(a) (v) (vi) (vii)</sup>	Canada	100
City Coin Vending Services Ltd <sup>(a) (v) (vi) (vii)</sup>	Canada	100
<b>Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5, Canada</b>		
Tejazz Management Services Inc.	Canada	100
<b>1969 Upper Water Street, Purdy's Wharf Tower II, Suite 1300, Halifax, NS B3J 3R7, Canada</b>		
Crothall Services Canada Inc. <sup>(a) (v)</sup>	Canada	100
<b>1959 Upper Water Street, Suite 1100, Halifax, Nova Scotia, B3J 3E5, Canada</b>		
East Coast Catering (NS) Limited	Canada	100
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>		
East Coast Catering Limited <sup>(a) (v) (vi) (vii)</sup>	Canada	100
Long Harbour Catering Limited Partnership <sup>(a)</sup>	Canada	100
Long Harbour Catering Limited	Canada	100
<b>421 7th Avenue SW, Suite 1600, Calgary, Alberta, T2P 4K9, Canada</b>		
Great West Catering Ltd	Canada	100
Tamarack Catering Ltd	Canada	100
<b>2580 Rue Dollard, Lasalle, Quebec, H8N 1T2, Canada</b>		
Groupe Compass (Québec) Ltée <sup>(a) (v) (vi) (vii)</sup>	Canada	100
<b>550 Burrard Street, Suite 2300, Bentall 5, P.O. Box 30, Vancouver, British Columbia, V6C 2B5, Canada</b>		
Town Square Food Services Ltd	Canada	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Av. del Valle 787, 5th floor, Huecuraba, Santiago, Chile</b>		
Cadelsur S.A.	Chile	100
Compass Catering S.A.	Chile	100
Compass Catering Y Servicios Chile Limitada	Chile	100
Compass Servicios S.A.	Chile	100
Scolarest S.A.	Chile	100
<b>No. 1999 Floor 2, Xin Zhu Road, Minhang District, 200237, China</b>		
Compass (China) Management Services Company Limited	China	100
<b>Room 532 Floor 5 No. 28 Lane 2777, East Jinxiu Road, Pudong District, Shanghai 201206, China</b>		
Shanghai Eurest Food Technologies Service Co., Ltd.	China	100
<b>Autopista Norte No. 235 – 71, Bogota D.C., Colombia</b>		
Compass Group Services Colombia S.A.	Colombia	100
<b>Enceinte de Brometo Centre Ville, BP 5208, Pointe-Noire, The Democratic Republic of the Congo</b>		
Eurest Services Congo SARL <sup>(a)</sup>	Congo	100
<b>195, Arch. Makariou III Avenue, Neocleous House, 3030 Limassol, Cyprus</b>		
ESS Design & Build Ltd <sup>(a)</sup>	Cyprus	100
Eurest Support Services (Cyprus) International Ltd	Cyprus	100
<b>Jankovcova, 1603/47a, Holešovice 170 00, Prague 7, Czech Republic</b>		
Compass Group Czech Republic s.r.o.	Czech Republic	100
SCOLAREST- zařízení školního stravování spol. s.r.o	Czech Republic	100
<b>Denmark Rued Langgards Vej 8, 1. sal, 2300 København S, DK, Denmark</b>		
Compass Group Danmark A/S	Denmark	100
<b>PL 1271, 00101, Helsinki, 00101, Finland</b>		
Compass Group Finland OY	Finland	100
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>		
7000 Set Meal SAS	France	100
Academie Formation Groupe Compass SAS	France	100
Caterine Restauration SAS	France	100
Eurest International SNC	France	100
Eurest Sports & Loisirs SAS	France	100
Evhrest SAS	France	100
La Puyfolaie de Restauration SAS	France	100
Levy Restaurants France SAS	France	100
Mediance SAS	France	100
Memonett SAS	France	100
Servirest SAS	France	100
SHRM Angola SAS <sup>(a)</sup>	France	100
Société De Prestations En Gestion Immobiliere SAS	France	100
Société Nouvelle Lecocq SAS	France	100
Sud Est Traiteur SAS	France	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Rue des Artisans, ZA de Bel Air, 12000 Rodez, France</b>		
Central Restauration Martel (CRM)	France	100
<b>Zone Artisanale, 40500 Bas Mauco, France</b>		
Culinaire Des Pays de L'Adour SAS	France	100
<b>40, Bd de Dunkerque, 13002 Marseille, France</b>		
Société International D'Assistance SA <sup>(a)</sup>	France	100
<b>Lieu Dit la Prade, 81580 Soual, France</b>		
Occitanie Restauration SAS	France	100
<b>3 rue Camille Claudel Atlanparc Bat.M, Zone Kerluherne, CS 20043, 56890 Plescop, France</b>		
Oceane de Restauration SAS	France	100
<b>Rue Eugène Sué, Zone Industrielle de Blanzat, 03100 Montluçon, France</b>		
Sogirest SAS	France	100
<b>ZONE OPRAG, (Face à Bernabé Nouveau Port), BP 1292, Port Gentil, Gabon</b>		
Eurest Support Services Gabon SA	Gabon	100
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>		
Compass Group GmbH	Germany	100
Eurest Bremen GmbH	Germany	100
Eurest Süd GmbH	Germany	100
Kanne Café GmbH	Germany	100
Menke Menue GmbH	Germany	100
S.B. Verwaltungs GmbH <sup>(a)</sup>	Germany	100
<b>Sankt-Florian-Weg 1, 30880, Laatzen, Germany</b>		
Eurest West GmbH & Co. KG	Germany	100
orgaMed Betriebsgesellschaft für Zentralsterilisationen GmbH	Germany	100
Plural Gebäudemanagement GmbH	Germany	100
Plural Personalservice GmbH	Germany	100
Plural Servicepool GmbH	Germany	100
<b>Pfaffenwiese, 65929 Frankfurt/M., Germany</b>		
LPS Event Gastronomie GmbH	Germany	100
<b>Edisonstraße 7, 63477, Maintal, Germany</b>		
M.S.G. Frucht GmbH	Germany	100
<b>Katharinenstraße 7, 83043 Bad Aibling, Germany</b>		
Royal Business Restaurants GmbH	Germany	100
<b>Lise-Meitner-Straße 6, 53501 Graftschaft, Germany</b>		
L & D Gesellschaft für Betriebsgastronomie mbH	Germany	100
<b>PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB</b>		
Compass Group Finance Ltd	Guernsey	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Room 805, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong</b>		
Compass Group Hong Kong Ltd	Hong Kong	100
Encore Catering Ltd	Hong Kong	100
Shing Hin Catering Group Ltd	Hong Kong	100
<b>Irinyi József u. 4-20. B épület, H-1117 Budapest, Hungary</b>		
Eurest Éttermüzemeltető Korlátolt Felelősségű Társaság	Hungary	100
<b>Unit #426, 4th Floor, Tower A, Space I – Tech Park Sohna Road, Sector 49 Gurgaon, Gurgaon HR 122018 IN, India</b>		
Compass Group (India) Support Services Private Ltd	India	100
Compass India Support Services Private Limited	India	100
<b>3rd Floor, 43a, Yeats Way, Parkwest Business Park, Dublin 12, Ireland</b>		
Amstel Limited <sup>(6)</sup>	Ireland	100
Catering Management Ireland Limited <sup>(6)</sup>	Ireland	100
Cheyenne Limited <sup>(6)</sup>	Ireland	100
Compass Catering Services, Ireland Limited	Ireland	100
COH Ireland Investments Unlimited Company <sup>(viii) (ix)</sup>	Ireland	100
Drumburgh Limited <sup>(6)</sup>	Ireland	100
Management Catering Services Limited	Ireland	100
National Catering Limited <sup>(6)</sup>	Ireland	100
Rushmore Investment Company Limited <sup>(6) (viii)</sup>	Ireland	100
Sutcliffe Ireland Limited	Ireland	100
Zadca Limited <sup>(6)</sup>	Ireland	100
<b>12-14 Finch Road, Douglas, IM99 1TT, Isle of Man</b>		
Consolidated Services Limited	Isle of Man	100
<b>Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man</b>		
Queens Wharf Insurance Services Limited <sup>(viii)</sup>	Isle of Man	100
<b>Shin-Hie Building 2nd Floor, 3-3-3, Hakataeki-Higashi, Hakata-ku, Fukuoka-City, Fukuoka-Prefecture, Japan</b>		
Eishoku-Medix, Inc.	Japan	100
<b>Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>		
Eurest Japan, Inc.	Japan	100
Fuyo, Inc.	Japan	100
MFS, Inc.	Japan	100
Nihon Kyushoku Service, Inc.	Japan	100
Seiyo Food-Compass Group Holdings, Inc.	Japan	100
<b>1-14-2, Kurumada-cho, Showa-ku, Nagoya-City, Aichi-Prefecture, 466-0001, Japan</b>		
Sun Food Inc.	Japan	100
<b>44 Esplanade, St Helier, Jersey, JE4 9WG</b>		
Malakand Unlimited	Jersey	100
<b>060011, Atyrauskaya Oblast, Atyrau City, Beibarys Sultan Avenue 506, Kazakhstan</b>		
Compass Kazakhstan LLP	Kazakhstan	100
TOO Eurest Support Services LLP	Kazakhstan	100
TOO ESS Support Services LLP	Kazakhstan	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>209/8919 Sigma Road Off Enterprises Road, PO BOX 14 662, Nairobi, Kenya</b>		
Kenya Oilfield Services Ltd <sup>(6)</sup>	Kenya	100
<b>19, Rue Léon Laval, L-3372 Leudelange, Luxembourg</b>		
Automat' Services SARL	Luxembourg	100
Eurest Luxembourg S.A.	Luxembourg	100
IMMO Capellen S.A.	Luxembourg	100
Innoclean S.A.	Luxembourg	100
Novelia Senior Services S.A.	Luxembourg	100
<b>Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</b>		
Compass Group Malaysia Sdn Bhd	Malaysia	100
<b>50-8-1, TKT.8, Wsima UOA Damansara, 50 Jalan. Dungun, Damansara Heights, Kuala Lumpur, 50490, Malaysia</b>		
S.H.R.M. Sdn. Bhd. <sup>(6)</sup>	Malaysia	100
<b>5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius</b>		
Compass Group Mauritius Ltd	Mauritius	100
<b>Calle Jaime Balmes 11, Oficina 101 letra D, Col. Los Morales Polanco, Delegación Miguel Hidalgo, 11510 México D.F., Mexico</b>		
Eurest Proper Meals de Mexico S.A. de C.V. <sup>(6) (ix)</sup>	Mexico	100
Servicios Corporativos Eurest-Proper Meals de Mexico S.A. De C.V. <sup>(6) (ix)</sup>	Mexico	100
<b>c/o 251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
Food Works of Mexico, S. de R.L. de C.V. <sup>(6) (ix) (ix)</sup>	Mexico	100
Food Works Services of Mexico, S. de R.L. De C.V. <sup>(6) (ix) (ix)</sup>	Mexico	100
<b>Laarderhoogweg 11, 1101 DZ, Amsterdam, Netherlands</b>		
Aurora HoldCo B.V.	Netherlands	100
CGI Holdings (2) B.V.	Netherlands	100
Compass Group Holding B.V.	Netherlands	100
Compass Group Finance Netherlands B.V.	Netherlands	100
Compass Group International 10 B.V. <sup>(6)</sup>	Netherlands	100
Compass Group International 2 B.V.	Netherlands	100
Compass Group International 3 B.V.	Netherlands	100
Compass Group International 4 B.V.	Netherlands	100
Compass Group International 5 B.V.	Netherlands	100
Compass Group International 6 B.V. <sup>(6)</sup>	Netherlands	100
Compass Group International 9 B.V.	Netherlands	100
Compass Group International ESS Shanghai B.V.	Netherlands	100
Compass Group International Finance 1 B.V.	Netherlands	100
Compass Group International Finance 2 B.V.	Netherlands	100
Compass Group Shanghai Eurest B.V. <sup>(6)</sup>	Netherlands	100
Compass Group Vending Holding B.V.	Netherlands	100
Compass Hotels Chertsey B.V.	Netherlands	100
Eurest Support Services (ESS) B.V.	Netherlands	100
Eurest Support Services Sakhalin B.V. <sup>(6)</sup>	Netherlands	100
Stichting Forte International	Netherlands	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Luzernestraat 57, 2153 GM, Nieuw-Vennep, Netherlands</b>		
Famous Flavours B.V. <sup>(iii)</sup>	Netherlands	100
<b>Stationsweg 95, 6711 PM Ede, Netherlands</b>		
Xandriom B.V.	Netherlands	100
<b>85 Avenue du Général de Gaulle, Immeuble Carcopino 3000, BP 2353, 98846 Nouméa Cedex, New Caledonia</b>		
Eurest Caledonie SARL <sup>(i)</sup>	New Caledonia	100
<b>Level 3, 15 Sultan Street, Ellerslie 1051, New Zealand</b>		
Compass Group New Zealand Limited	New Zealand	100
Crothall Services Group Limited <sup>(ii)</sup>	New Zealand	100
Eurest NZ Limited <sup>(ii)</sup>	New Zealand	100
<b>Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway</b>		
Compass Holding Norge A/S	Norway	100
Eurest A/S <sup>(ii)</sup> <sup>(iv)</sup>	Norway	100
<b>Forusparken 2, 4031 Stavanger, Postboks 8083 Stavanger Postterminal, 4068, Stavanger, Norway</b>		
ESS Mobile Offshore Units A/S	Norway	100
ESS Support Services A/S	Norway	100
<b>1st Floor, Danaya Haus, Gabaka Street, Gordons, National Capital District, Papua New Guinea</b>		
Eurest (PNG) Catering & Services Ltd <sup>(ii)</sup>	Papua New Guinea	100
<b>Unit 2410 24th flr City &amp; Land Mega Plaza Adb Ave. Ortigas Ctr. San Antonio, Pasig City 1605, Philippines</b>		
Compass Group Philippines Inc <sup>(ii)</sup>	Philippines	100
<b>Ul. Olbrachta 94, 01-102 Warszawa, Poland</b>		
Compass Group Poland Sp. z o.o.	Poland	100
<b>Edificio Prime, Avenida da Quinta Grande, 53-60, Alfragide 2614-521 Amadora, Portugal</b>		
Eurest (Portugal) – Sociedade Europeia de Restaurantes, Lda.	Portugal	100
Eurest Catering & Services Group Portugal, Lda.	Portugal	100
<b>București Sectorul 4, Strada Sold., Ilie Șerban, Nr. 8B., Romania</b>		
Eurest ROM SRL	Romania	100
<b>7 Gasheka Street, Bld. 1, 123056, Moscow, Russia</b>		
Aurora Rusco OOO	Russia	100
<b>Prospect Vernadskogo, 103-2, 119526 Moscow, Russia</b>		
Compass Group Rus OOO	Russia	100
<b>11 Changi South Street 3, Builders Shop Building, #04-02/03, 486122, Singapore</b>		
Compass Group (Singapore) PTE Ltd <sup>(iii)</sup> <sup>(iv)</sup>	Singapore	100
SHRM Far East Pte Ltd <sup>(i)</sup>	Singapore	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>8 Marina Boulevard, # 05-02, Marina Bay Financial Centre, 018981, Singapore</b>		
Compass Group Asia Pacific PTE. Ltd	Singapore	100
<b>Karadžičova 2, Staré mesto, 811 09 Bratislava, Slovakia</b>		
Compass Group Slovakia s. r. o.	Slovakia	100
<b>22 Milkyway Avenue, Linbro Park, Sandton, Gauteng, 2090, South Africa</b>		
Firhold (Proprietary) Limited <sup>(ii)</sup>	South Africa	100
Makhugiso Investments (Proprietary) Limited	South Africa	100
<b>Calle Frederic Mompou 5, planta 5a, Edificio Euro 3, 08960, San Just Desvern, Barcelona, Spain</b>		
Asistentes Escolares, S.L.	Spain	100
Eurest Catalunya, S.L.U.	Spain	100
Medirest Social Residencias, S.L.U.	Spain	100
<b>Calle Castilla 8-10 – C.P. 50.009, Zaragoza, Spain</b>		
Servicios Renovados de Alimentacion, S.A.	Spain	100
<b>Calle Pinar de San Jose 98, Planta 1a, 28054, Madrid, Spain</b>		
Eurest Club de Campo, S.L.U.	Spain	100
Eurest Servicios FERIALES, S.L.U.	Spain	100
<b>Poligono Ugaldeguren 1, Parcela 7, 48160 Derio (Vizcaya), Spain</b>		
Eurest Euskadi S.L.U.	Spain	100
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Baleares, Spain</b>		
Levy Compass Group Holdings, S.L. <sup>(ii)</sup>	Spain	100
<b>Box 1222, 164 28, Kista, Sweden</b>		
Compass Group AB	Sweden	100
Compass Group Sweden AB	Sweden	100
<b>c/o BDO AG, Industriestrasse 53 6312 Steinhausen, Switzerland</b>		
Creative New Food Dream Steam GmbH	Switzerland	100
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>		
Eurest Services (Switzerland) AG	Switzerland	100
<b>c/o Ueltschi Solutions GmbH, Gwattstrasse 8, CH-3185 Schmitten, Switzerland</b>		
Sevita AG <sup>(ii)</sup>	Switzerland	100
Sevita Group GmbH	Switzerland	100
<b>Schlattergasse 1, 8240 Thayngen, Switzerland</b>		
Royal Business Restaurants GmbH	Switzerland	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>100/97 Vongvanij Complex Building B, 29th Floor, Rama 9 Road, Huay-Kwang, Bangkok 10310, Thailand</b>		
Compass Group Services Co., Ltd <sup>(vi)</sup>	Thailand	100
Eurasia Holdings Co., Ltd	Thailand	100
Eurasia Management (Thailand) Co., Ltd	Thailand	100
Eurasia Services Co., Ltd	Thailand	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 12 9, 34752 Atasehir, Istanbul, Turkey</b>		
Euroserve Güvenlik A.Ş.	Turkey	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 12 10, 34752 Atasehir, Istanbul, Turkey</b>		
Euroserve Hizmet ve işletmecilik A.Ş.	Turkey	100
<b>Dubai Airport Free Zone, Dubai, United Arab Emirates</b>		
Compass Camea FZE	UAE	100
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>		
14Forty Limited <sup>(ii)</sup>	UK	100
3 Gates Services Limited <sup>(ii)</sup>	UK	100
A.C.M.S. Limited <sup>(ii)</sup>	UK	100
Bateman Catering Limited <sup>(ii) (vi)</sup>	UK	100
Bateman Healthcare Services Limited <sup>(ii)</sup>	UK	100
Baxter and Platts Limited <sup>(ii) (vi) (v)</sup>	UK	100
Bromwich Catering Limited <sup>(ii)</sup>	UK	100
Business Clean Limited <sup>(ii)</sup>	UK	100
Capitol Catering Management Services Limited	UK	100
Carlton Catering Partnership Limited <sup>(ii) (iii)</sup>	UK	100
Castle Independent Limited	UK	100
Cataforce Limited <sup>(ii)</sup>	UK	100
Caterexchange Limited <sup>(ii)</sup>	UK	100
Caterskill Group Limited <sup>(ii)</sup>	UK	100
Caterskill Management Limited <sup>(ii)</sup>	UK	100
Chalk Catering Ltd <sup>(ii)</sup>	UK	100
Chartwells Limited <sup>(ii)</sup>	UK	100
Circadia Limited <sup>(ii)</sup>	UK	100
Cleaning Support Services Limited <sup>(ii)</sup>	UK	100
Compass Accounting Services Limited <sup>(ii)</sup>	UK	100
Compass Catering Services Limited <sup>(ii)</sup>	UK	100
Compass Cleaning Services Limited <sup>(ii)</sup>	UK	100
Compass Contract Services Limited <sup>(ii)</sup>	UK	100
Compass Contracts UK Limited <sup>(ii) (viii)</sup>	UK	100
Compass Experience Limited <sup>(ii) (vii)</sup>	UK	100
Compass Food Services Limited	UK	100
Compass Group Medical Benefits Limited <sup>(ii)</sup>	UK	100
Compass Mobile Catering Limited <sup>(ii)</sup>	UK	100
Compass Office Cleaning Services Limited <sup>(ii)</sup>	UK	100
Compass Payroll Services Limited <sup>(ii)</sup>	UK	100
Compass Planning and Design Limited <sup>(ii)</sup>	UK	100
Compass Restaurant Properties Limited <sup>(ii) (vii)</sup>	UK	100
Compass Road Services Limited <sup>(ii)</sup>	UK	100
Compass Security Limited <sup>(ii) (vii)</sup>	UK	100
Compass Services (Midlands) Limited <sup>(ii)</sup>	UK	100
Compass Services for Hospitals Limited <sup>(ii) (vii)</sup>	UK	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
Compass Services Group Limited	UK	100
Compass Services Limited <sup>(ii)</sup>	UK	100
Compass Services Trading Limited <sup>(ii)</sup>	UK	100
Compass Services, UK and Ireland Limited	UK	100
Compass Staff Services Limited <sup>(ii)</sup>	UK	100
Cookie Jar Limited <sup>(ii)</sup>	UK	100
CRBS Resourcing Limited <sup>(ii)</sup>	UK	100
CRN 1990 (Four) Limited <sup>(ii)</sup>	UK	100
Customised Contract Catering Limited <sup>(ii)</sup>	UK	100
Cygnat Food Holdings Limited <sup>(ii)</sup>	UK	100
Cygnat Foods Limited	UK	100
DRE Developments Limited <sup>(ii)</sup>	UK	100
Eaton Catering Limited <sup>(ii)</sup>	UK	100
Eaton Wine Bars Limited <sup>(ii)</sup>	UK	100
Eurest Airport Services Limited <sup>(ii)</sup>	UK	100
Eurest Defence Support Services Limited <sup>(ii)</sup>	UK	100
Eurest Offshore Support Services Limited <sup>(ii) (vii)</sup>	UK	100
Eurest Prison Support Services Limited <sup>(ii)</sup>	UK	100
Eurest UK Limited <sup>(ii)</sup>	UK	100
Everson Hewett Limited <sup>(ii) (vi)</sup>	UK	100
Facilities Management Catering Limited <sup>(ii)</sup>	UK	100
FADS Catering Limited <sup>(ii)</sup>	UK	100
Fairfield Catering Company Limited <sup>(ii)</sup>	UK	100
Fingerprint Managed Services Limited <sup>(ii)</sup>	UK	100
Foodbuy Europe Limited <sup>(ii) (vi)</sup>	UK	100
Funpark Caterers Limited <sup>(ii) (iii)</sup>	UK	100
Goodfellows Catering Management Services Limited	UK	100
Gruppo Events Limited <sup>(ii)</sup>	UK	100
Hallmark Catering Management Limited <sup>(ii)</sup>	UK	100
Hamard Catering Management Services Limited <sup>(ii) (vii)</sup>	UK	100
Hamard Group Limited <sup>(ii)</sup>	UK	100
Henry Higgins Limited <sup>(ii)</sup>	UK	100
Hospital Hygiene Services Limited <sup>(ii)</sup>	UK	100
ICM Five Star Limited <sup>(ii)</sup>	UK	100
Integrated Cleaning Management Limited	UK	100
Integrated Cleaning Management Support Services Limited	UK	100
Keith Prowse Limited <sup>(ii)</sup>	UK	100
Kennedy Brookes Finance Limited <sup>(ii)</sup>	UK	100
Knott Hotels Company of London <sup>(ii)</sup>	UK	100
Langston Scott Limited <sup>(ii)</sup>	UK	100
Leisure Support Services Limited <sup>(ii) (vi)</sup>	UK	100
Leith's Limited <sup>(ii)</sup>	UK	100
Meal Service Company Limited <sup>(ii)</sup>	UK	100
Milburns Catering Contracts Limited <sup>(ii)</sup>	UK	100
Milburns Limited <sup>(ii)</sup>	UK	100
Milburns Restaurants Limited <sup>(ii) (iii)</sup>	UK	100
National Leisure Catering Limited <sup>(ii)</sup>	UK	100
NLC (Holdings) Limited <sup>(ii)</sup>	UK	100
NLC (Wembley) Limited <sup>(ii)</sup>	UK	100
P & C Morris (Catering) Ltd <sup>(ii) (vii)</sup>	UK	100
P & C Morris Catering Group Limited <sup>(ii)</sup>	UK	100
Payne & Gunter Limited	UK	100
PDM Training and Compliance Services Limited <sup>(ii)</sup>	UK	100
Pennine Services Limited <sup>(ii)</sup>	UK	100
Peter Parfitt Leisure Overseas Travel Limited	UK	100
Peter Parfitt Sport Limited <sup>(ii) (vi)</sup>	UK	100



## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
PPP Infrastructure Management Limited	UK	100	Compass Group Capital No.15 <sup>(i)</sup>	UK	100
Prideoak Limited <sup>(ii)</sup>	UK	100	Compass Group Capital No.16 <sup>(i)</sup>	UK	100
QCL Limited <sup>(ii)</sup>	UK	100	Compass Group Finance No.2 Limited <sup>(i)</sup>	UK	100
Reliable Refreshments Limited	UK	100	Compass Group Finance No.3 Limited	UK	100
Rhine Four Limited <sup>(iii)</sup>	UK	100	Compass Group Finance No.4 Limited <sup>(i) (ii) (iv) (vii)</sup>	UK	100
Roux Fine Dining Limited <sup>(ii)</sup>	UK	100	Compass Group Finance No.5 Limited <sup>(i) (ix)</sup>	UK	100
Security Office Cleaners Limited <sup>(i)</sup>	UK	100	Compass Group North America Investments No.2	UK	100
Selkirk House (CVH) Limited <sup>(i)</sup>	UK	100	Compass Group North America Investments Limited	UK	100
Selkirk House (FP) Limited <sup>(i) (ii) (iv) (v)</sup>	UK	100	Compass Group Pension Trustee Company Limited <sup>(i)</sup>	UK	100
Selkirk House (GHPL) Limited <sup>(i) (viii)</sup>	UK	100	Compass Group Trustees Limited <sup>(i)</sup>	UK	100
Selkirk House (GTP) Limited <sup>(i)</sup>	UK	100	Compass Healthcare Group Limited <sup>(i) (viii)</sup>	UK	100
Selkirk House (WBRK) Limited	UK	100	Compass Hospitality Group Holdings Limited <sup>(i)</sup>	UK	100
Shaw Catering Company Limited	UK	100	Compass Hospitality Group Limited <sup>(i)</sup>	UK	100
Ski Class Limited <sup>(i)</sup>	UK	100	Compass Hotels Chertsey <sup>(i)</sup>	UK	100
Solutions on Systems Ltd <sup>(i)</sup>	UK	100	Compass Nominee Company Number Fourteen Limited <sup>(i)</sup>	UK	100
Summit Catering Limited	UK	100	Compass Overseas Holdings Limited	UK	100
Sunway Contract Services Limited	UK	100	Compass Overseas Holdings No.2 Limited	UK	100
Sutcliffe Catering Midlands Limited <sup>(i)</sup>	UK	100	Compass Overseas Services Limited <sup>(i)</sup>	UK	100
Sutcliffe Catering South East Limited <sup>(i)</sup>	UK	100	Compass Pension Trustees Limited <sup>(i)</sup>	UK	100
Sycamore Newco Limited	UK	100	Compass Quest Limited <sup>(i)</sup>	UK	100
The Bateman Catering Organization Limited <sup>(i) (viii)</sup>	UK	100	Compass Secretaries Limited <sup>(i)</sup>	UK	100
The Cuisine Centre Limited <sup>(i)</sup>	UK	100	Compass Site Services Limited <sup>(i) (viii)</sup>	UK	100
THF Oil Limited <sup>(i)</sup>	UK	100	Compass UK Pension Trustee Co Limited <sup>(i)</sup>	UK	100
Tunco (1999) 103 Limited <sup>(i)</sup>	UK	100	Crisp Trustees Limited <sup>(i)</sup>	UK	100
Vendepac Holdings Limited <sup>(viii)</sup>	UK	100	Gogmore <sup>(i)</sup>	UK	100
Vision Security Group Limited	UK	100	Meritglen Limited <sup>(i) (vii) (viii)</sup>	UK	100
Vision Security Group Systems Limited	UK	100	New Famous Foods Limited <sup>(i)</sup>	UK	100
VSG Holdings Limited <sup>(i)</sup>	UK	100	Nextonline Limited <sup>(i) (iv)</sup>	UK	100
VSG Investments Limited <sup>(i)</sup>	UK	100	Riversdell <sup>(i)</sup>	UK	100
VSG Payroll Services Limited <sup>(i)</sup>	UK	100	Sevita (UK) Limited	UK	100
VSG Staff Hire Limited <sup>(i)</sup>	UK	100	The Excelsior Insurance Company Limited	UK	100
VSG Systems Direct Limited <sup>(i)</sup>	UK	100			
Waseley Fifteen Limited <sup>(i)</sup>	UK	100			
Waseley Nominees Limited <sup>(i)</sup>	UK	100			
Wembley Sports Arena Limited <sup>(i)</sup>	UK	100			
Wheeler's Restaurants Limited <sup>(i) (vii)</sup>	UK	100			
Woodin & Johns Limited	UK	100			
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, United Kingdom</b>			<b>Suite D, Pavilion 7 Kingshill Park, Venture Drive, Arnhill Business Park, Westhill, Aberdeenshire, AB32 6FL, United Kingdom</b>		
Audrey (London) Limited <sup>(i)</sup>	UK	100	CCG (UK) Ltd <sup>(i)</sup>	UK	100
Audrey Investments Limited <sup>(i)</sup>	UK	100	Coffee Partners Limited <sup>(i)</sup>	UK	100
Bateman Services Limited <sup>(i)</sup>	UK	100	Compass Offshore Catering Limited <sup>(i) (viii)</sup>	UK	100
Compass Group Capital No.1 <sup>(i)</sup>	UK	100	Compass Scottish Site Services Limited <sup>(i)</sup>	UK	100
Compass Group Capital No.2 <sup>(i)</sup>	UK	100	Waseley (CVI) Limited <sup>(i)</sup>	UK	100
Compass Group Capital No.3 <sup>(i)</sup>	UK	100	Waseley (CVS) Limited <sup>(i)</sup>	UK	100
Compass Group Capital No.4 <sup>(i)</sup>	UK	100			
Compass Group Capital No.5 <sup>(i)</sup>	UK	100			
Compass Group Capital No.6 <sup>(i)</sup>	UK	100			
Compass Group Capital No.7 <sup>(i)</sup>	UK	100			
Compass Group Capital No.8 <sup>(i)</sup>	UK	100			
Compass Group Capital No.9 <sup>(i)</sup>	UK	100			
Compass Group Capital No.10 <sup>(i)</sup>	UK	100			
Compass Group Capital No.11 <sup>(i)</sup>	UK	100			
Compass Group Capital No.12 <sup>(i)</sup>	UK	100			
Compass Group Capital No.13 <sup>(i)</sup>	UK	100			
Compass Group Capital No.14 <sup>(i)</sup>	UK	100			
			<b>1st Floor, 12 Cromac Quay, Cromac Wood, Belfast, Northern Ireland, BT7 2JD, United Kingdom</b>		
			Lough Erne Holiday Village Limited <sup>(i)</sup>	UK	100
			<b>8040 Excelsior Drive, Suite 400, Madison, WI 53717, USA</b>		
			Ace Foods, Inc.	USA	100
			<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
			Affiliated Purchasing Services, Inc.	USA	100
			Bon Appétit Management Company Foundation	USA	100
			Cosmopolitan Catering, LLC	USA	100
			CulinArt of California, Inc.	USA	100
			Rainbow Vending, Inc.	USA	100

Notes to the consolidated financial statements continued

For the year ended at 30 September 2018

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Bamco Restaurants of Texas LLC	USA	100
Levy Premium Foodservice, L.L.C. <sup>(iii)</sup>	USA	100
Morrison's Health Care of Texas, Inc.	USA	100
University Food Services, Inc.	USA	100
<b>2345 Rice Street, Suite 230, Roseville, MN 55113, USA</b>		
Best Vendors Consolidation Services, LLC	USA	100
Best Vendors Management Company, Inc.	USA	100
Best Vendors, LLC	USA	100
Street Eats Limited	USA	100
Visinity, LLC	USA	100
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
Best Vendors Management, Inc.	USA	100
Cataforce, Inc.	USA	100
Compass Independent Corp.	USA	100
Compass LCS, LLC	USA	100
Compass LV, LLC	USA	100
Compass Paramount, LLC	USA	100
Concierge Consulting Services, LLC	USA	100
Convenience Foods International, Inc.	USA	100
Crothall Healthcare Inc.	USA	100
Crothall Laundry Services Inc.	USA	100
Eurest Services, Inc.	USA	100
Facilities Holdings, LLC	USA	100
Flik Lifestyles, LLC	USA	100
Flik One, LLC	USA	100
Levy Oklahoma, Inc.	USA	100
Levy Premium Foodservice, Inc. <sup>(iii)</sup>	USA	100
Levy Prom Golf, LLC	USA	100
Levy Sports & Entertainment, Inc.	USA	100
Morrison Investment Company, Inc.	USA	100
RAC Holdings Corp. <sup>(iii)</sup>	USA	100
Rank + Rally, LLC	USA	100
S-82 LLC	USA	100
Spendifference LLC	USA	100
Touchpoint Support Services, LLC	USA	100
University Food Services, LLC	USA	100
Vendlink, LLC	USA	100
Yorkmont Four, Inc.	USA	100
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>		
Bistro Restaurant Limited Partnership	USA	100
Curiology, LLC	USA	100
E15, LLC	USA	100
Levy (Events) Limited Partnership	USA	100
Levy (IP) Limited Partnership	USA	100
Levy Food Service Limited Partnership	USA	100
Levy GP Corporation	USA	100
Levy Holdings GP, Inc.	USA	100
Levy Illinois Limited Partnership	USA	100
Levy Premium Foodservice Limited Partnership	USA	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
Levy R & H Limited Partnership	USA	100
Levy World Limited Partnership	USA	100
Professional Sports Catering, LLC	USA	100
Restaurant One Limited Partnership	USA	100
Superior Limited Partnership	USA	100
<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>		
Bon Appétit Maryland, LLC	USA	100
<b>1156 Bowman Road, Suite 208, MT Pleasant, South Carolina 29464, USA</b>		
CGSC Capital, Inc.	USA	100
<b>501 Louisiana Avenue, Baton Rouge, LA 70802-5921, USA</b>		
Coastal Food Service, Inc.	USA	100
S.H.R.M. Catering Services, Inc.	USA	100
<b>80 State Street, Albany, NY 12207-2543, USA</b>		
Coffee Distributing Corp.	USA	100
CulinArt Group, Inc.	USA	100
CulinArt, Inc.	USA	100
Mazzone Hospitality, LLC	USA	100
Quality Food Management, Inc.	USA	100
RA Tennis Corp.	USA	100
RANYST, Inc.	USA	100
Restaurant Associates Events Corp.	USA	100
Restaurant Associates LLC	USA	100
Restaurant Associates, Inc.	USA	100
Restaurant Services Inc.	USA	100
<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>		
Compass 2K12 Services, LLC	USA	100
Compass HE Services, LLC	USA	100
Compass One, LLC	USA	100
Compass Two, LLC	USA	100
<b>100 North Main Street, Suite 2, Barre, VT 05641, USA</b>		
Compass Vermont, Inc.	USA	100
<b>2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, USA</b>		
Crothall Facilities Management, Inc.	USA	100
Custom Management Corporation Of Pennsylvania	USA	100
Morrison's Custom Management Corporation of Pennsylvania	USA	100
Newport Food Service, Inc.	USA	100
Williamson Hospitality Services, Inc.	USA	100
<b>50 West Broad Street, Suite 1330, Columbus, OH 43215, USA</b>		
Cuyahoga Dining Services, Inc.	USA	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
Food Services Management By Mgr, LLC	USA	100
Morrison Alumni Association, Inc.	USA	100
The M-Power Foundation, Inc.	USA	100
<b>Princeton South Corporate Ctr, Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628, USA</b>		
Gourmet Dining, LLC	USA	100
<b>300 Deschutes Way SW, Suite 304, Tumwater, WA 98501, USA</b>		
Inter Pacific Management, Inc.	USA	100
<b>2900 SW Wanamaker Drive, Suite 204, Topeka, KS 66614, USA</b>		
PFM Kansas, Inc.	USA	100
<b>2338 W. Royal Palm Road, Suite J, Phoenix, AZ 85021, USA</b>		
Prodine, Inc.	USA	100
Sacco Dining Services, Inc.	USA	100
<b>2908 Poston Avenue, Nashville, TN 37203, USA</b>		
Southeast Service Corporation	USA	100
<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
Statewide Services, Inc.	USA	100
<b>1709 North 19th Street, Suite 3, Bismarck, ND 58501-2121, USA</b>		
Compass ND, LLC	USA	100

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Rua Dr. Ayres de Menezes Street, No.120, District Maianga, Maianga Municipality, Luanda, Angola</b>		
Express Support Services, Limitada	Angola	49
<b>Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>		
ESS Eastern Guruma PTY Ltd	Australia	60
ESS Gumala PTY Ltd	Australia	60
ESS NYFL PTY Ltd	Australia	60
<b>Level 3, 12 Newcastle Street, Perth 6000, Australia</b>		
ESS Thalanyji PTY Ltd	Australia	60
ESS Larrakia PTY Ltd	Australia	50
<b>Lvl 46, 19-29 Martin Place, Sydney, NSW, Australia</b>		
Convention Centre Management PTY Ltd	Australia	40
<b>Pavilion on the Lake, Brisbane Entertainment Centre, Melaleuca Drive, Boondall, Qld 4034, Australia</b>		
AEG Ogden (BCEC) Pty Ltd	Australia	44
AEG Ogden (Brisbane Stadium Management) Pty Ltd	Australia	44
AEG Ogden (Brisbane) Pty Ltd	Australia	44
AEG Ogden (Cairns) Pty Ltd	Australia	44
AEG Ogden (Consulting) Pty Ltd	Australia	44
AEG Ogden (Convex) Pty Ltd	Australia	44
AEG Ogden (Darwin) Pty Ltd	Australia	44
AEG Ogden (Dubai) Pty Ltd	Australia	44
AEG Ogden (Global Partnerships) Pty Ltd	Australia	44
AEG Ogden (Newcastle) Pty Ltd	Australia	44
AEG Ogden (Perth Arena) Pty Ltd	Australia	44
AEG Ogden (Perth Stadium) Pty Ltd	Australia	44
AEG Ogden (Perth) Pty Ltd	Australia	44
AEG Ogden (SEC) Pty Ltd	Australia	44
AEG Ogden (Sydney Arena) Pty Ltd	Australia	44
AEG Ogden (Sydney) Pty Ltd	Australia	44
AEG Ogden (Venue Services) Pty Ltd	Australia	44
AEG Ogden Holdings Pty Ltd <sup>(iii) (iv) (v)</sup>	Australia	44
AEG Ogden Pty Ltd <sup>(iii) (iv)</sup>	Australia	44
ICC Sydney Pty Ltd	Australia	44
Kings Basketball Pty Ltd <sup>(iii) (iv) (v)</sup>	Australia	44
Showclean Pty Ltd	Australia	44
Sydney Arena Sports Investments Pty Ltd	Australia	44
Sydney Exhibition Centre at Glebe Island Pty Ltd	Australia	44
Sydney Live Pty Ltd	Australia	44
The Arena Network Asia Pacific Pty Ltd	Australia	44
Australian Pavilion Services Pty Ltd	Australia	22
Combined Venues Group Pty Ltd	Australia	22

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>AZ1010, Baku City, Yasamal District, Jafar Jabbarli, House 44, Caspian Plaza, Baku 1065, Azerbaijan</b>		
ESS Support Services LLC	Azerbaijan	50
Eurest Support Services LLC	Azerbaijan	50
<b>c/o Dessert Secretarial Services, Deloitte and Touche House Plot 50664, Fairgrounds Office Park PO Box 211008, Botleng, Botswana</b>		
Compass Botswana (PTY) Ltd <sup>(ii)</sup>	Botswana	35
<b>Av. Rio Branco, 1, sala 1201 Parte, Centro, 20090-003, Rio de Janeiro, RJ, Brazil</b>		
AEG Administracao de Estadios do Brasil LTDA	Brazil	49
<b>R. Prof. Atílio Innocenti 165, 2º andar, Sala 02-119, Vila Nova Conceição, 04538-000, São Paulo, SP, Brazil</b>		
AEG Administracao de Estadios do Sudeste LTDA	Brazil	50
<b>1700-666 Burrard Street Park Place Vancouver BC V6C2X8 Canada</b>		
AEG Facilities Canada Holdings, LP	Canada	49

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

### OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS

	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Clearwater River Dene Nation Reserve No. 222, P.O. Box 5050, Clearwater, Saskatchewan, S0M 3H0, Canada</b>		
Clearwater Catering Limited <sup>(iii) (iv) (v) (vi)</sup>	Canada	49
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario, L5W 0G2, Canada</b>		
1912219 Ontario Inc. <sup>(iii) (iv) (v) (vi) (vii) (viii)</sup>	Canada	75
Compass Group Sports and Entertainment – (Quebec) <sup>(ix)</sup>	Canada	67
ECC – ESS Support Services <sup>(x)</sup>	Canada	50
2265668 Ontario Ltd <sup>(iii) (iv) (v) (vi) (vii) (viii)</sup>	Canada	49
Amik Catering LP <sup>(xi)</sup>	Canada	49
Dease River – ESS Support Services <sup>(x)</sup>	Canada	49
Dene West Limited Partnership <sup>(x)</sup>	Canada	49
ECC – Mi'kmaq Support Services <sup>(x)</sup>	Canada	49
ESS – DNDC Support Services <sup>(x)</sup>	Canada	49
ESS – Duncan's and Paddle Prairie Support Services <sup>(x)</sup>	Canada	49
ESS – East Arm Camp Services <sup>(x)</sup>	Canada	49
ESS – Kaatodh Camp Services <sup>(x)</sup>	Canada	49
ESS – Loon River Support Services <sup>(x)</sup>	Canada	49
ESS – Missanabie Cree Support Services <sup>(x)</sup>	Canada	49
ESS – Na Cho Nyak Dun Camp Services <sup>(x)</sup>	Canada	49
ESS – Ochapowace Support Services <sup>(x)</sup>	Canada	49
ESS – Pessamit Camp Services <sup>(x)</sup>	Canada	49
ESS – Wapan Manawan Services de Soutien <sup>(x)</sup>	Canada	49
ESS Duncan's Support Services <sup>(x)</sup>	Canada	49
ESS Haisla Support Services <sup>(x)</sup>	Canada	49
ESS HLFN Support Services <sup>(x)</sup>	Canada	49
ESS KNRA Support Services <sup>(x)</sup>	Canada	49
ESS Komatik Support Services <sup>(x)</sup>	Canada	49
ESS Liard First Nation Support Services <sup>(x)</sup>	Canada	49
ESS McKenzie Support Services <sup>(x)</sup>	Canada	49
ESS Okanagan Indian Band Support Services <sup>(x)</sup>	Canada	49
ESS Tataskweyak Camp Services <sup>(x)</sup>	Canada	49
ESS/Bushmaster Camp Services <sup>(x)</sup>	Canada	49
ESS/Fort a la Corne Support Services <sup>(x)</sup>	Canada	49
ESS/McLeod Lake Indian Band Support Services <sup>(x)</sup>	Canada	49
ESS/Mosakahiken Cree Nation Support Services <sup>(x)</sup>	Canada	49
ESS/Nuvumiut Support Services <sup>(x)</sup>	Canada	49
ESS/Takla Lake Support Services <sup>(x)</sup>	Canada	49
ESS/WEDC Support Services <sup>(x)</sup>	Canada	49
First North Catering <sup>(xi)</sup>	Canada	49
KDM – ESS Support Services <sup>(x)</sup>	Canada	49
Mi'kmaq-ECC Nova Scotia Support Services <sup>(x)</sup>	Canada	49
Naskapi Traiteur S.E.C. <sup>(xi)</sup>	Canada	49
Popular Point Camp Services <sup>(xi)</sup>	Canada	49
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>		
Labrador Catering Inc	Canada	49
Labrador Catering LP <sup>(xi)</sup>	Canada	49
<b>12 Kodiak Crescent, Toronto, Ontario, M3J 3G5, Canada</b>		
Imperial Coffee and Services Inc. <sup>(iii) (iv) (v)</sup>	Canada	88

### OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS

	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Room 234, No.195, Bong Xing Road, Pudong New District, China</b>		
Shanghai ESS Support Services Co., Ltd. <sup>(ii)</sup>	China	83
<b>FO-110, Torshavn, Faroe Islands</b>		
P/F Eurest Føroyar	Denmark	51
<b>9 Damascus St, Mohandessin – Giza, Egypt</b>		
Compass Egypt for Hotel & Food Services Co SAE	Egypt	50
<b>123 avenue de la République – Hall A, 92320 Châtillon, France</b>		
Sopregim SAS	France	80
<b>Steenbeker Weg 25, 24106, Kiel, Germany</b>		
Lubinus – orgaMed Sterilgut GmbH	Germany	49
<b>Kastenbauerstraße 2, 81677, München, Germany</b>		
Leonardi EPM GmbH	Germany	75
Leonardi Vermögensverwaltungs GmbH	Germany	75
Leonardi Betriebsverwaltungs GmbH	Germany	75
Leonardi GmbH & Co. KG	Germany	75
Leonardi Kaffee neu entdecken GmbH & Co. KG	Germany	75
<b>Hutschiner Straße 8, 81677, München, Germany</b>		
Leonardi SVM GmbH	Germany	75
<b>Grillparzerstraße 8, 81675, München, Germany</b>		
Leonardi HPM GmbH	Germany	75
<b>MZSK &amp; Associates, Chartered Accountants, Level 9, The Ruby, Senapati Bapat Road, Dadar-W, Mumbai 400028, India</b>		
AEG Ogden Hyderabad Pvt Ltd	India	44
<b>Hamariyuku Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>		
Chiyoda Kyushoku Services Co., Ltd	Japan	90
<b>5-7-5, Chiyoda, Naka-ku, Nagoya-City, Aichi-Prefecture, Japan</b>		
Seiyo General Food Co., Ltd	Japan	50
<b>060011, Atyrauskaya Oblast, Atyrau city, Beibarys Sultan avenue 506, Kazakhstan</b>		
TOO Eurest Support Services Company B LLP	Kazakhstan	50
<b>060011, Old Airport Road 64, Atyrau City, Atyrau Oblast, Republic of Kazakhstan</b>		
TOO ESS Kazakhstan LLP	Kazakhstan	60
<b>c/o GH, PO Box 8820, Maseru 100, Lesotho</b>		
Compass Group Lesotho (PTY) Ltd <sup>(ii)</sup>	Lesotho	57
<b>10A Rue Henri Schnadt, L-2530, Luxembourg</b>		
Geria SA	Luxembourg	25

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>c/o Sucoma Sugar Estate, Chikwawa, Malawi</b>		
Compass Group (PTY) Ltd <sup>(a)</sup>	Malawi	59
Compass Malawi (Pty) Ltd <sup>(a)</sup>	Malawi	59
<b>Level 18 The Gardena North Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, 59200, Malaysia</b>		
EM-SSIS Services Sdn. Bhd. <sup>(a)</sup>	Malaysia	42
Urusan Bakti Sdn. Bhd. <sup>(a)</sup>	Malaysia	35
<b>Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia</b>		
Convex Malaysia SDN BHD	Malaysia	21
<b>Suite 1301, 13th Floor, City Plaza Jalan Tebrau 80300 Johor Bahru Johor, Malaysia</b>		
Knusford Compass Sdn. Bhd.	Malaysia	49
<b>51/52 II Piazzetta, Valletta, Malta</b>		
Eurest (Malta) Ltd <sup>(a) (b)</sup>	Malta	51
<b>DTOS Limited 10th Floor, Raffles, Tower 19, Cybercity, Ebene, Mauritius</b>		
Eurest Support Services (Mauritius) (Pty) Ltd <sup>(a)</sup>	Mauritius	59
<b>1 Avenue Henri Dunant, Palais De La Scala, 3eme, Etage – No 1125, 98000 MC, Monaco</b>		
Eurest Monaco S.A. <sup>(a)</sup>	Monaco	99.99
<b>c/o G Banze, Karl Marx no. 502, 2nd Floor No. 7, Maputo, Mozambique</b>		
Eurest Support Services Mozambique Ltda <sup>(a)</sup>	Mozambique	35
<b>Laarderhoogweg 11, 1101 DZ, Amsterdam, Netherlands</b>		
Compass Group International Coöperatief W.A. <sup>(a)</sup>	Netherlands	100
Compass Group International Coöperatief 2 W.A. <sup>(a)</sup>	Netherlands	100
Compass Group International Coöperatief 3 W.A. <sup>(a)</sup>	Netherlands	100
Compass Group International Finance C.V. <sup>(a)</sup>	Netherlands	100
<b>Bdo Spicers, Level 8, 120 Albert Street, Auckland, New Zealand</b>		
AEG Ogden (NZ) LTD	New Zealand	44
<b>Okesnoyveien 16, 1366, Lysaker, 1366, Norway</b>		
Forplejningstjenester A/S	Norway	33.33
<b>Harbitzalléen 2A, 0275 Oslo, PÅ Box 4148, Sjølyst, 0217 Oslo, Norway</b>		
Gress-Gruppen A/S	Norway	33.33
<b>1st Floor, Danaya Haus, Gabaka Street, Gordons, National Capital District, Papua New Guinea</b>		
Eurest OKAS Catering Ltd <sup>(a)</sup>	Papua New Guinea	55
Eurest Lotic (PNG) JV Ltd <sup>(a)</sup>	Papua New Guinea	50
<b>2 Floor, Al Mana Commercial Tower, C-Ring road, Doha, P O BOX 22481, Qatar</b>		
Compass Catering Services WLL	Qatar	20

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>PO Box 31952, Al Khobar 31685 KSA, Saudi Arabia</b>		
Compass Arabia LLC	Saudi Arabia	30
<b>22 Milkyway Avenue, Linbro Park, Sandton, Gauteng, 2090, South Africa</b>		
All Leisure Travel (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Compass Game Park Services (Proprietary) Ltd <sup>(a)</sup>	South Africa	59
Eurest Support Services Africa (Proprietary) Ltd <sup>(a)</sup>	South Africa	59
Isikhonyane Cleaning (Proprietary) Ltd	South Africa	59
Macand Enterprises 008 (Proprietary) Ltd <sup>(a)</sup>	South Africa	59
Ramiweb (Proprietary) Ltd	South Africa	59
Siyeza Cleaning Services (Proprietary) Limited <sup>(a) (b) (c)</sup>	South Africa	59
Siyeza Contract Cleaning Services (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Siyeza Labour Outsourcing Services (Proprietary) Limited <sup>(a) (b) (c)</sup>	South Africa	59
Success Valet & Cleaning Services (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Supercare Financial Services (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Supercare Hygiene (Proprietary) Limited <sup>(a) (b)</sup>	South Africa	59
Supercare Training Solutions (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Supervision Food Services (Boputhatswana) (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Supervision Food Services (Gazankulu) (Proprietary) Limited <sup>(a)</sup>	South Africa	59
Gourmet Prepared Foods (Proprietary) Limited <sup>(a)</sup>	South Africa	44
ESS Oil & Gas Support Service Partners (Proprietary) Limited <sup>(a)</sup>	South Africa	41
Main Street 917 (Proprietary) Limited	South Africa	32
Maabokgoro-KKS Catering Services (Proprietary) Limited <sup>(a)</sup>	South Africa	29
Women's Sunshine KKS Foodservices (Proprietary) Limited <sup>(a)</sup>	South Africa	29
KKS Daluxolo Food Services (Proprietary) Limited	South Africa	29
<b>28 Van Riebeeck Street, Ogies, Mpumalanga, 2230, South Africa</b>		
UJU ESS Services Proprietary Limited	South Africa	29
<b>Calle Pinar de San Jose 98, Planta 1a, 28054, Madrid, Spain</b>		
Gourmet on Wheels, S.L.U.	Spain	99
<b>c/o PKF, Cnr Masalesikhundleni &amp; Mbabha Streets, PO BOX 1220, Swaziland</b>		
Compass Swaziland (Pty) Limited <sup>(a)</sup>	Swaziland	59
<b>Nationalarenan i Solna AB, Putte Kocks Plats 1, SE-169 79 Solna, Sweden</b>		
Nationalarenan I Solna AB	Sweden	49
<b>Stockholm Live AB, P.O. Box 10055, SE-121 27 Stockholm-Globen, Sweden</b>		
Stockholm Live AB	Sweden	49
<b>PD Services AG, Mühlebachstrasse 6, 8008 Zürich, Switzerland</b>		
AEG Management Switzerland GmbH	Switzerland	49

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING	OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>c/o Deloitte &amp; Touche, 10th Floor PPF Building, PO Box 1559, Dar Es Salaam, United Republic of Tanzania</b>					
Compass Group Tanzania Ltd <sup>(ii)</sup>	Tanzania	59	WPL, LLC	USA	90
<b>Vedat Gonyol Cad, Demir Sok, No: 1/A, Istanbul, Turkey</b>					
AEG Danismanlikve Isletme Faaliyetleri Anonim Ltd Sirketi	Turkey	49	Unidine Corporation	USA	80
<b>Office No. 204, Mawilah, Al Sharjah, P O Box: 1897, United Arab Emirates</b>					
Abu Dhabi National Hotels – Compass LLC	UAE	50	Wolfgang Puck Catering at the Capital Wheel, LLC	USA	67.5
<b>Abu Dhabi National Hotels Company Building, Sheikh Rashid Bin Saeed Al Maktoum Street, Abu Dhabi, United Arab Emirates</b>					
Abu Dhabi National Hotels Compass Caterers LLC	UAE	50	Levy LA Concessions, LLC	USA	62.5
Abu Dhabi National Hotels Compass Middle East LLC	UAE	50	Learfield Levy Foodservice, LLC	USA	50
<b>The Owner Saeed Ahmed Ghobash, Oud Metha, Street Bur Dubai, P.O. BOX 31769 Dubai, United Arab Emirates</b>					
Abu Dhabi National Hotels – Compass Emirates LLC	UAE	50	Restaurant Services I, LLC	USA	50
<b>Building 8, Floor 4, Unit 416, Dubai Media City, Dubai, United Arab Emirates</b>					
AEG Ogden Middle East FZ-LLC	UAE	44	Parlay Solutions, LLC	USA	50
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>					
Quaglino's Limited	UK	99	Thompson Facilities Services LLC	USA	49
Chartwells Hounslow (Feeding Futures) Limited <sup>(iii) (iv)</sup>	UK	75	Thompson Hospitality Services, LLC	USA	49
Eat Dot Limited <sup>(ii) (iii)</sup>	UK	57.05	WP Casual Catering, LLC	USA	45
Quadrant Catering Limited <sup>(iii) (iv)</sup>	UK	49	Chicago Restaurant Partners, LLC	USA	42
<b>County Ground, Edgbaston, Birmingham, B5 7QU, United Kingdom</b>					
Edgbaston Experience Limited <sup>(iii) (iv)</sup>	UK	25	<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
<b>The Oval, Kennington, London, SE11 5SS, United Kingdom</b>					
Oval Events Holdings Limited <sup>(iv) (v) (vi)</sup>	UK	37.5	C&B Holdings, LLC	USA	90
Oval Events Limited <sup>(iii) (iv) (vi)</sup>	UK	37.5	H & H Catering, L.P.	USA	90
<b>The O2, Peninsula Square, London, SE10 ODX, United Kingdom</b>					
AEG Facilities (UK) Ltd	UK	49	<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>		
<b>San Gabriel 4004, Montevideo- 12000, Uruguay</b>					
AEG Facilities Uruguay SA	Uruguay	49	Waveguide LLC	USA	57
<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>					
Fame Food Management Inc.	USA	80	<b>2215-B Renaissance Drive, Las Vegas, NV 89119, USA</b>		
The Food Management Enterprise Corporation	USA	80	GLV Restaurant Management Associates, LLC	USA	90
Levy Maryland, LLC	USA	74	<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>					
B & I Catering, LLC	USA	90	Wolfgang Puck Catering & Events of Texas, LLC	USA	90
CMCA Catering, LLC	USA	90	<b>980 N. Michigan Ave., Suite 400, Chicago, IL 60611, USA</b>		
PCHI Catering, LLC	USA	90	Convention Hospitality Partners	USA	80
			Atlanta Sports Catering	USA	50
			Orlando Foodservice Partners	USA	50
			<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
			KIJIK/ESS, LLC	USA	80
			Statewide/GanaAYoo JV	USA	50
			<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>		
			110 East Pearson Limited Partnership	USA	66
			Park Concession Management, LLC	USA	50
			Park Foodservice, LLC	USA	50.1
			<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
			Eversource LLC	USA	51
			<b>120 W.45th Street, New York, NY 10036, USA</b>		
			RA Patina, LLC	USA	50
			<b>111 Eighth Avenue New York, NY 10011, USA</b>		
			RA Patina Management LLC	USA	50

**34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED**

<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	<b>COUNTRY OF INCORPORATION OR ESTABLISHMENT</b>	<b>% HOLDING</b>
<b>Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA</b>		
AEG Facilities, LLC	USA	49
AEG Facilities Canada Holdings, LP	USA	49
AEG Management Bakersfield, LLC	USA	49
AEG Management Brooklyn, LLC	USA	49
AEG Management Chicago, LLC	USA	49
AEG Management DL, LLC	USA	49
AEG Management FL, LLC	USA	49
AEG Management Glendale, LLC	USA	49
AEG Management HCC, LLC	USA	49
AEG Management KC, LLC	USA	49
AEG Management LACC, LLC	USA	49
AEG Management Louisville, LLC	USA	49
AEG Management Nassau, LLC	USA	49
AEG Management NJ, LLC	USA	49
AEG Management Oakland, LLC	USA	49
AEG Management Pittsburgh, LLC	USA	49
AEG Management PR, LLC	USA	49
AEG Management TWN, LLC	USA	49
AEG Management VAB, LLC	USA	49
AEG Management WA, LLC	USA	49
AEG Ontario Arena, LLC	USA	49
AEG Ontario Sports & Entertainment, LLC	USA	49
AEG Ontario, LLC	USA	49
AEG Management SD, LLC	USA	39
<b>3500 Sports Arena Blvd., San Diego CA 92110, USA</b>		
San Diego Entertainment, Inc	USA	39
<b>425 Walnut Street – #1800, Cincinnati OH 45202, USA</b>		
Arena Management Holdings, LLC	USA	27
Cincinnati Cyclones, LLC	USA	27
<b>6055 Lakeside Commons Drive, Suite 440, Macon, GA, 31210, USA</b>		
Kimco Holdings, LLC <sup>(6)</sup>	USA	20
<b>BDO Corporate Services, PO Box 35139, Lusaka, Zambia</b>		
Eurest Support Services Zambia Ltd <sup>(6)</sup>	Zambia	59
Kagiso Khulani Supervision Zambia Ltd <sup>(6)</sup>	Zambia	59

**NOTES**

1. Unless otherwise stated, indirectly owned by Compass Group PLC, active status and ordinary shares issued.
2. In some of the jurisdictions where we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as ordinary.
3. A number of the companies listed are legacy companies which no longer serve any operational purpose.

**CLASSIFICATIONS KEY**

- (i) Directly owned by Compass Group PLC
- (ii) Dormant/non-trading
- (iii) A Ordinary shares
- (iv) B Ordinary shares
- (v) C Ordinary and/or Special shares
- (vi) D, E and/or F Ordinary shares
- (vii) Deferred shares
- (viii) Preference including cumulative, non-cumulative and redeemable shares
- (ix) Redeemable shares
- (x) No share capital, share of profits
- (xi) Limited by guarantee



## PARENT COMPANY BALANCE SHEET

As at 30 September 2018

<b>COMPASS GROUP PLC</b>	NOTES	2018 £M	2017 £M
<b>FIXED ASSETS</b>			
Investments	2	<b>1,035</b>	1,017
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	3	<b>10,068</b>	9,913
Debtors: amounts falling due after more than one year	3	<b>83</b>	139
Cash at bank and in hand		<b>605</b>	20
Current assets		<b>10,756</b>	10,072
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors: amounts falling due within one year	4	<b>(6,933)</b>	(5,778)
<b>NET CURRENT ASSETS</b>			
Net current assets		<b>3,823</b>	4,294
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Total assets less current liabilities		<b>4,858</b>	5,311
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Creditors: amounts falling due after more than one year	4	<b>(2,534)</b>	(3,289)
Provisions for liabilities	5	<b>(3)</b>	(31)
<b>Net assets</b>		<b>2,321</b>	1,991
<b>EQUITY</b>			
Share capital	7	<b>176</b>	176
Share premium account		<b>182</b>	182
Capital redemption reserve		<b>295</b>	295
Share-based payment reserve		<b>232</b>	211
Profit and loss reserve		<b>1,436</b>	1,127
<b>Total equity</b>		<b>2,321</b>	1,991

Approved by the Board of Directors on 20 November 2018 and signed on their behalf by

**Dominic Blakemore**, Director

**Johnny Thomson**, Director

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

<b>EQUITY</b>	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	SHARE-BASED PAYMENT RESERVE £M	PROFIT AND LOSS RESERVE £M	TOTAL £M
At 1 October 2016	176	182	295	193	1,311	2,157
Share buyback <sup>1</sup>	–	–	–	–	(19)	(19)
Fair value of share-based payments	–	–	–	21	–	21
Use of treasury shares to satisfy employee share options	–	–	–	(3)	–	(3)
Dividends paid to Compass shareholders	–	–	–	–	(1,534)	(1,534)
Profit for the financial year	–	–	–	–	1,369	1,369
At 30 September 2017	176	182	295	211	1,127	1,991
Fair value of share-based payments	–	–	–	<b>21</b>	–	<b>21</b>
Dividends paid to Compass shareholders	–	–	–	–	<b>(548)</b>	<b>(548)</b>
Profit for the financial year	–	–	–	–	<b>857</b>	<b>857</b>
At 30 September 2018	<b>176</b>	<b>182</b>	<b>295</b>	<b>232</b>	<b>1,436</b>	<b>2,321</b>

1. Including stamp duty and brokers' commission.

## PARENT COMPANY ACCOUNTING POLICIES

For the year ended 30 September 2018

### INTRODUCTION

The significant accounting policies adopted in the preparation of the separate financial statements of Compass Group PLC (the Company) are set out below:

### A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

These financial statements are prepared in accordance with the historical cost convention, except as described in the accounting policy on financial instruments, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and applicable United Kingdom laws. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 (CA 2006) and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These financial statements thus present information about the Company as an individual undertaking not as a Group undertaking.

These financial statements have been prepared on a going concern basis. This is discussed in the Finance Director's statement on page 34.

### B EXEMPTIONS

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2018. As permitted by section 408 of the CA 2006, the Company has not presented its own profit and loss account.

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- transactions with wholly owned subsidiaries
- capital management
- as required by IFRS 13 Fair Value Measurement and IFRS 7 Financial Instrument Disclosures
- the effect of new but not yet effective IFRS
- disclosures in respect of compensation of key management personnel
- IFRS 2 Share Based Payments in respect of Group settled share based payments

### C CHANGE IN ACCOUNTING POLICIES

The Company has not applied any accounting standards for the first time in the year ended 30 September 2018.

### D INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments is not less than as shown at the balance sheet date.

Investment income is measured at the fair value of the consideration received or receivable. It represents dividend income which is recognised when the right to receive payment is established.

### E FOREIGN CURRENCY

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Gains and losses arising on retranslation are included in the income statement for the period.

### F BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Borrowings that are part of a fair value hedge accounting relationship are measured at amortised cost plus or minus the fair value attributable to the risk being hedged.

### G DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. Derivative instruments utilised include interest rate swaps, currency swaps and forward currency contracts. The Company and Group policy is disclosed in the accounting policies to the consolidated financial statements.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions and derecognised when it ceases to be party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months of the balance sheet date. If not, they are recognised as non-current.

### H DIVIDENDS

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's shareholders. Interim dividends are recognised when paid.

### I DEFERRED TAX

Deferred tax is provided at the anticipated rates on temporary differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

## **J SHARE-BASED PAYMENTS**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of the non market-based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes option pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions. An addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds. For details of the charge see note 22 to the consolidated financial statements.

## **K INTERCOMPANY AND OTHER RECEIVABLES**

Intercompany and other receivables are measured at amortised cost using the effective interest method less any impairment.

Intercompany and other receivables are assessed for indicators of impairment at each reporting end date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated cash flows have been adversely affected.

## **L FINANCIAL GUARANTEES AND LOAN COMMITMENTS**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 30 September 2018

### 1 INCOME STATEMENT DISCLOSURES

The Company's profit on ordinary activities after tax was £857 million (2017: £1,369 million).

The Company had no direct employees in the course of the year (2017: none).

	2018 £M	2017 £M
<b>AUDIT SERVICES</b>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.9	0.5
Fees payable for other services	0.1	0.1

### 2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2018 £M	2017 £M
<b>INVESTMENTS IN SUBSIDIARY UNDERTAKINGS</b>		
<b>Cost</b>		
At 1 October	1,018	1,004
Additions	–	–
Share-based payments to employees of subsidiaries	21	21
Recharged to subsidiaries during the year	(3)	(7)
At 30 September	1,036	1,018
<b>Provisions</b>		
At 1 October and 30 September	(1)	(1)
<b>Net book value</b>		
At 30 September	1,035	1,017

The principal subsidiary undertakings are listed in note 34 to the consolidated financial statements.

### 3 DEBTORS

	2018			2017		
	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M
<b>DEBTORS</b>						
Amounts owed by subsidiary undertakings	10,035	–	10,035	9,909	–	9,909
Derivative financial instruments	33	83	116	4	139	143
Total	10,068	83	10,151	9,913	139	10,052

	2018 NET SHORT TERM TEMPORARY DIFFERENCES £M	2017 NET SHORT TERM TEMPORARY DIFFERENCES £M
<b>MOVEMENT IN DEFERRED TAX ASSET</b>		
At 1 October	–	1
Charge to income statement	–	(1)
At 30 September	–	–

The deferred tax asset arose on certain derivative financial instruments.

Details of the derivative financial instruments are shown in note 17 to the consolidated financial statements.

## 4 CREDITORS

	2018			2017		
	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M
<b>CREDITORS</b>						
Bank overdrafts	51	–	51	35	–	35
Bank loans	–	–	–	–	302	302
Bank overdrafts and loans (note 6)	51	–	51	35	302	337
Loan notes	191	1,261	1,452	–	1,440	1,440
Bonds	538	1,240	1,778	–	1,536	1,536
Loan notes and bonds (note 6)	729	2,501	3,230	–	2,976	2,976
Derivative financial instruments	12	33	45	6	11	17
Accruals and deferred income	51	–	51	50	–	50
Current taxation	11	–	11	18	–	18
Amounts owed to subsidiary undertakings	6,079	–	6,079	5,669	–	5,669
<b>Total</b>	<b>6,933</b>	<b>2,534</b>	<b>9,467</b>	<b>5,778</b>	<b>3,289</b>	<b>9,067</b>

The Company has fixed term, fixed interest private placements denominated in US dollar.

	NOMINAL VALUE	REDEEMABLE	INTEREST	2018 CARRYING VALUE £M	2017 CARRYING VALUE £M
US\$ private placement	\$250m	Oct 2018	3.31%	191	186
US\$ private placement	\$200m	Sep 2020	3.09%	153	149
US\$ private placement	\$398m	Oct 2021	3.98%	305	297
US\$ private placement	\$352m	Oct 2023	4.12%	268	274
US\$ private placement	\$100m	Dec 2024	3.54%	76	75
US\$ private placement	\$300m	Sep 2025	3.81%	229	236
US\$ private placement	\$300m	Dec 2026	3.64%	230	223
<b>Total</b>				<b>1,452</b>	<b>1,440</b>

	NOMINAL VALUE	REDEEMABLE	INTEREST	2018 CARRYING VALUE £M	2017 CARRYING VALUE £M
<b>BONDS</b>					
Euro Eurobond	€600m	Feb 2019	3.13%	538	539
Euro Eurobond	€500m	Jan 2023	1.88%	464	464
Sterling Eurobond	£250m	Sep 2025	2.00%	246	–
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249
Sterling Eurobond	£300m	Jul 2029	2.00%	281	284
<b>Total</b>				<b>1,778</b>	<b>1,536</b>

£250 million 2025 Eurobonds were issued during the year.

	FACILITY SIZE	2018 NOMINAL VALUE	2017 NOMINAL VALUE	FACILITY MATURITY DATE	INTEREST <sup>1</sup>	2018 CARRYING VALUE £M	2017 CARRYING VALUE £M
<b>BANK LOANS</b>							
Bilateral loans	£690m	–	£228m	Dec 2020	floating	–	227
Syndicated facility	£1,000m	–	£75m	Jun 2021	floating	–	75
	£1,690m					–	302

1. Interest rates are referenced to market specific benchmark rates plus margin.

Details of the derivative financial instruments are shown in note 17 to the consolidated financial statements.

## 5 PROVISIONS FOR LIABILITIES

PROVISIONS	LEGAL AND OTHER CLAIMS £M
At 1 October 2016	31
Charged to profit and loss account	–
At 30 September 2017	31
Credited to income statement	(28)
At 30 September 2018	3

## 6 MATURITY OF FINANCIAL LIABILITIES, OTHER CREDITORS AND DERIVATIVE FINANCIAL INSTRUMENTS

The maturity of financial liabilities, other creditors and derivative financial instruments as at 30 September is as follows:

MATURITY	2018				2017			
	BANK OVERDRAFTS AND LOANS (NOTE 4) £M	LOAN NOTES AND BONDS (NOTE 4) £M	OTHER <sup>1</sup> £M	TOTAL £M	BANK OVERDRAFTS AND LOANS (NOTE 4) £M	LOAN NOTES AND BONDS (NOTE 4) £M	OTHER <sup>1</sup> £M	TOTAL £M
Between 1 and 2 years	–	153	(3)	150	–	725	(36)	689
Between 2 and 5 years	–	769	(73)	696	302	446	–	748
In more than 5 years	–	1,579	26	1,605	–	1,805	(92)	1,713
In more than 1 year	–	2,501	(50)	2,451	302	2,976	(128)	3,150
Within 1 year, or on demand	51	729	(21)	759	35	–	2	37
Total	51	3,230	(71)	3,210	337	2,976	(126)	3,187

1. Other includes the debtor and creditor amounts associated with derivative financial instruments.

## 7 SHARE CAPITAL

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 21 and 22 to the consolidated financial statements.

## 8 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	2018 £M	2017 £M
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	411	408
Parental guarantee issued under the Euro Medium Term Note Programme	1,113	661
Total	1,524	1,069

Details regarding certain contingent liabilities which involve the Company are set out in note 26 to the consolidated financial statements.

## SHAREHOLDER INFORMATION

### REGISTRAR

All matters relating to the administration of shareholdings in the Company should be directed to Link Asset Services (the registrar), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568; email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk).

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by the registrar, at [www.signalshares.com](http://www.signalshares.com). Shareholders registering for the Share Portal will require their investor code which is shown on share certificates. The service enables shareholders to:

- check their shareholdings in Compass Group PLC 24 hours a day
- gain easy access to a range of shareholder information including indicative valuation and payment instruction details
- appoint a proxy to attend general meetings of Compass Group PLC

### ELECTRONIC COMMUNICATIONS

The Company's Annual Report and all other shareholder communications can be found on our website at [www.compass-group.com](http://www.compass-group.com). The Company can, at shareholders' request, send shareholders an email notification each time a new shareholder report or other shareholder communication is placed on its website. This enables shareholders to read and/or download the information at their leisure.

The provision of a facility to communicate with shareholders electronically does not discriminate between registered shareholders of the same class. The facility is available to all registered shareholders on equal terms and participation is made as simple as possible. Please note that it is the shareholder's responsibility to notify the registrar (through [www.signalshares.com](http://www.signalshares.com) or by post) of any change to their email address. Before electing for electronic communication, shareholders should ensure that they have the appropriate computer capabilities. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out, but cannot accept any responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Please note that any electronic communication sent by a shareholder to the Company or the registrar containing a computer virus will not be accepted.

The Company's obligation is satisfied when it transmits an electronic message. It cannot be held responsible for a failure in transmission beyond its control. In the event that the Company becomes aware that an electronic transmission is not successful, a paper notification will be sent to the shareholder at their registered address. Shareholders wishing to continue to receive shareholder information in the traditional paper format should confirm this via [www.signalshares.com](http://www.signalshares.com) or write to Link Asset Services.

### PUBLISHED INFORMATION

If you would like to receive a hard copy of this Annual Report and/or a copy of the Notice of Annual General Meeting in an appropriate alternative format such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ. Our 2018 Annual Report and the Notice of Meeting are available at [www.compass-group.com](http://www.compass-group.com).

### CASH DIVIDENDS

The Company normally pays a dividend twice each year. We encourage UK resident ordinary shareholders to elect to have their dividends paid directly into their bank or building society account. This is a more secure method of payment and avoids delays or the cheques being lost. Most ordinary shareholders resident outside the UK can also have any dividends in excess of £10 paid into their bank account directly via Link Asset Services' global payments service. Details and terms and conditions may be viewed at <http://ips.linkassetservices.com>.

### DIVIDEND REINVESTMENT PLAN (DRIP)

A DRIP service is provided by Link Market Services Trustees Limited. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding. Additional information, including details of how to sign up, can be obtained from the Company's website at [www.compass-group.com](http://www.compass-group.com) and from Link Market Services Trustees Limited; telephone within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568; email: [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk).

**The latest date for receipt of new applications to participate in the DRIP in respect of the 2018 final dividend is 4 February 2019.**

### SHARE PRICE INFORMATION

The price of the Company's shares is available on the Company's website at [www.compass-group.com](http://www.compass-group.com). This is supplied with a 15 minute delay to real time.

### SHARE DEALING

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, the Company's registrar offers online and telephone dealing services to buy or sell Compass Group PLC shares. The service is only available to private shareholders aged 18 or over, resident in the UK, EEA, Channel Islands or Isle of Man. Full details can be obtained from [www.linksharedeal.com](http://www.linksharedeal.com) or by telephoning within the UK: Freephone 0800 029 4520.



## SHAREGIFT

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It is particularly useful for those shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. Further information can be obtained from ShareGift's website at [www.sharegift.org](http://www.sharegift.org); telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737; email: [help@sharegift.org](mailto:help@sharegift.org), or from the registrar.

## AMERICAN DEPOSITARY RECEIPTS

BNY Mellon (BNY) maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary Shares, you should contact BNY Mellon, Shareowner Services, Computershare, P.O. Box 30170, College Station TX 77842-3170, USA or [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com). Further information can be found on BNY's website at [www.adrbnymellon.com](http://www.adrbnymellon.com) using the symbol CMPGY and at [www.compass-group.com](http://www.compass-group.com).

## UNSOLICITED MAIL

We are legally obliged to make our register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, MPS FREEPOST 29 LON20771, London W1E 0ZT. Shareholders can also register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk) or request an application form by calling from within the UK: 0345 0700 705 or by email: [mpps@dma.org.uk](mailto:mpps@dma.org.uk). For all other queries please contact the MPS team from within the UK: 020 7291 3310.

## IDENTITY THEFT

Advice on protecting your Compass Group PLC shares:

- keep all Compass correspondence in a safe place, or destroy correspondence by shredding
- when changing address, inform the registrar, Link Asset Services. If a letter from Link Asset Services is received regarding a change of address and you have not moved, contact the registrar immediately
- consider having your dividends paid directly into your bank or building society account. This will reduce the risk of the cheque being intercepted or lost in the post. You can complete a Request for Payment of Interest or Dividends form which are available from and should be returned to the registrar. Alternatively, register online at [www.signalshares.com](http://www.signalshares.com) using the Share Portal service. If you require further information please contact the registrar on changing your bank or building society account, inform the registrar of the details of the new account and respond to any letters Link Asset Services send you about this
- when buying or selling shares, deal only with brokers registered in your country of residence or the UK

## WARNING ABOUT SHARE FRAUD

Investment scams are often sophisticated and difficult to spot. Fraudsters use persuasive and high pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

Whilst high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

## HOW TO AVOID SHARE FRAUD

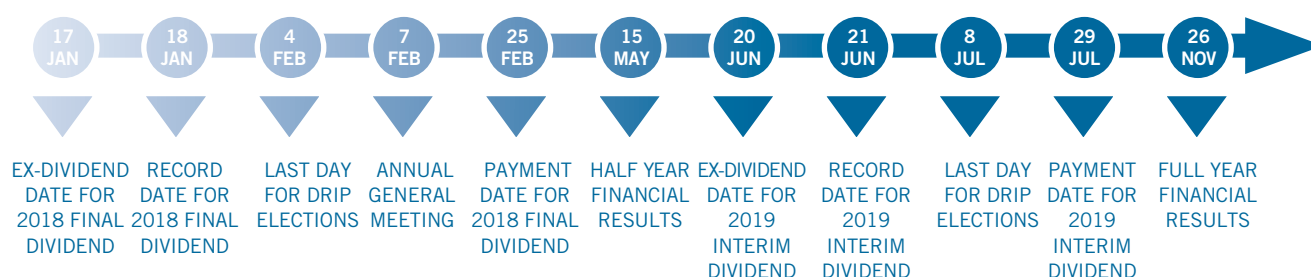
- keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares
- do not get into a conversation. Note the name of the person and firm contacting you and then end the call
- check the Financial Services Register at [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you are authorised by the FCA
- beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- use the firm's contact details listed on the Register if you want to call it back
- call the FCA on: Freephone 0800 111 6768 if the firm does not have contact details on the Register or if you are told they are out of date
- search the list of unauthorised firms to avoid at [www.fca.org.uk](http://www.fca.org.uk)
- consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme
- think about getting independent financial and professional advice before you hand over any money – don't use an advisor from the firm that contacted you
- remember: if it sounds too good to be true, it probably is!

## REPORT A SCAM

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart), where you can find out more about investment scams, or call the FCA Consumer Helpline on: Freephone 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

## FINANCIAL CALENDAR 2019\*



\* At the date of disclosure

### 2014 RETURN OF CASH AND SHARE CAPITAL CONSOLIDATION – BASE COST APPORTIONMENT FOR UK TAX PURPOSES

On 11 June 2014, shareholders approved a Return of Cash of 56 pence per Existing Ordinary Share, which resulted in approximately £1 billion being returned through the issue of one B or C Share to shareholders for each Existing Ordinary Share held at 6.00pm on 7 July 2014. The Return of Cash was accompanied by a consolidation of the Existing Ordinary Shares in the ratio of 16 New Ordinary Shares for every 17 Existing Ordinary Shares. The New Ordinary Shares were admitted to trading on 8 July 2014. The B and C Shares were not admitted to trading.

The Base Cost Apportionment is in general terms based on respective market values on the first day after the reorganisation on which a price for the New Ordinary Shares was quoted on the London Stock Exchange. Based on the New Ordinary Share price of 1,024.50 pence and the market value of a B Share and of a C Share of 56 pence, and calculated using the ratio of 16 New Ordinary Shares and 17 B or 17 C Shares for every 17 Existing Ordinary Shares previously held, 94.51% of the base cost of the Existing Ordinary Shares was apportioned to the New Ordinary Shares and 5.49% to the B and/or C Shares.

*The information provided is only intended to provide general guidance to UK shareholders and is not intended to be, and should not be construed to be legal or taxation advice to any particular UK shareholder. It states the position as of 9 July 2014 and 15 May 2017 respectively. If you are in any doubt as to your tax position, you are recommended to seek tax advice from an independent professional advisor. This note must be read in conjunction with the Circulars to Shareholders dated 19 May 2014 and 15 May 2017, where certain terms are defined.*

### 2017 SHAREHOLDER RETURN AND SHARE CAPITAL CONSOLIDATION – TAX INFORMATION

On 7 June 2017, shareholders approved a return of 61.0 pence per Existing Ordinary Share, which resulted in approximately £1 billion being returned to shareholders by way of a special dividend (the Shareholder Return). The Shareholder Return was accompanied by a Share Capital Consolidation of the Existing Ordinary Shares in the ratio of 25 New Ordinary Shares for every 26 Existing Ordinary Shares held at 6.00pm on 26 June 2017. The New Ordinary Shares were admitted to trading on 27 June 2017.

The New Ordinary Shares arising from the Share Consolidation result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Shareholder received New Ordinary Shares, the Shareholder should not be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replaced a Shareholder's holding of Existing Ordinary Shares as a result of the Share Consolidation will be treated as the same asset acquired at the same time as when the Shareholder's holding of Existing Ordinary Shares was acquired.

## NOTICE OF ANNUAL GENERAL MEETING

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Compass Group PLC, please send this Notice and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the eighteenth Annual General Meeting of Compass Group PLC (the Company) will be held at 12 noon on Thursday 7 February 2019 in the Live Room at Rugby Football Union, Rugby House, Twickenham Stadium, 200 Whitton Road, Twickenham, Middlesex TW2 7BA (the Meeting) (the AGM) in order to transact the following business:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 19 to 22 will be proposed as special resolutions and all other Resolutions will be proposed as ordinary resolutions.

1. To receive and adopt the Directors' Annual Report and Accounts and the Auditor's Report thereon for the financial year ended 30 September 2018.
  2. To receive and adopt the Directors' Remuneration Report for the financial year ended 30 September 2018.
  3. To declare a final dividend of 25.4 pence per ordinary share in respect of the financial year ended 30 September 2018.
  4. To elect John Bryant as a director of the Company.
  5. To elect Anne-Francoise Nesmes as a director of the Company.
  6. To re-elect Dominic Blakemore as a director of the Company.
  7. To re-elect Gary Green as a director of the Company.
  8. To re-elect Carol Arrowsmith as a director of the Company.
  9. To re-elect John Bason as a director of the Company.
  10. To re-elect Stefan Bomhard as a director of the Company.
  11. To re-elect Nelson Silva as a director of the Company.
  12. To re-elect Ireena Vittal as a director of the Company.
  13. To re-elect Paul Walsh as a director of the Company.
  14. To reappoint KPMG LLP as the Company's auditor until the conclusion of the next Annual General Meeting of the Company.
  15. To authorise the Audit Committee to agree the auditor's remuneration.
  16. To authorise the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this Resolution relates, to:
    - 16.1 make donations to political parties or independent election candidates;
    - 16.2 make donations to political organisations other than political parties; and
    - 16.3 incur political expenditure, during the period commencing on the date of this Resolution and ending on the date of the Company's next Annual General Meeting, provided that any such donations and expenditure made by the Company, or by any such subsidiary, shall not exceed £100,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £100,000.
- Any terms used in this Resolution 16 which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution.
17. To approve, in accordance with section 226B(1)(b) of the Companies Act 2006, the payment by the Company to each of its non-executive directors, with effect from the date on which this Resolution is passed, of the full fee payable to them in respect of each non-executive role they perform for the Company without regard to the annual cap of £125,000 on the aggregate fees payable to each non-executive director of the Company set out in the Company's Remuneration Policy approved at the Company's Annual General Meeting on 8 February 2018.
  18. 18.1 To renew the power conferred on the directors by Article 12 of the Company's Articles of Association for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, at close of business on 6 May 2020; and for that period the section 551 amount shall be £58,410,300.
    - 18.2 In addition, the section 551 amount shall be increased by £58,410,300 for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed, provided that the directors' power in respect of such latter amount shall only be used in connection with a rights issue:
      - 18.2.1 to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
      - 18.2.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,
- and that the directors may impose any limits or restrictions and make any arrangements which they consider necessary to deal with fractional entitlements, legal or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, any territory, or any matter whatsoever.

### SPECIAL RESOLUTIONS

19. To authorise the directors, subject to the passing of Resolution 18, and in accordance with the power conferred on the directors by Article 13 of the Company's Articles of Association, to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- 19.1 to allotments for rights issues and other pre-emptive issues; and
- 19.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 19.1 above) up to a nominal amount of £8,751,600 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 1 December 2018, being the last practicable date prior to the publication of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company, or, if earlier, at the close of business on 6 May 2020, but in each case, prior to the expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

20. To authorise the directors subject to the passing of Resolution 18 and in accordance with the power conferred on the directors by Article 13 of the Company's Articles of Association and in addition to any authority granted under Resolution 19 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- 20.1 limited to the allotment of equity shares or sale of treasury shares up to a nominal amount of £8,751,600 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 1 December 2018, being the last practicable date prior to the publication of this Notice;
- 20.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company or, if earlier, at close of business on 6 May 2020, but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

21. To generally and unconditionally authorise the Company, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of

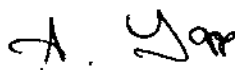
11 $\frac{1}{2}$  pence each in the capital of the Company subject to the following conditions:

- 21.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 158,500,000;
- 21.2 the minimum price (excluding expenses) which may be paid for each ordinary share is 11 $\frac{1}{2}$  pence;
- 21.3 the maximum price (excluding expenses) which may be paid for each ordinary share in respect of a share contracted to be purchased on any day, does not exceed the higher of (1) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (2) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and
- 21.4 this authority shall expire, unless previously renewed, varied or revoked by the Company, at the conclusion of the next Annual General Meeting of the Company or close of business on 6 August 2020, whichever is the earlier (except in relation to the purchase of ordinary shares, the contract for which was concluded prior to the expiry of this authority and which will or may be executed wholly or partly after the expiry of this authority).

22. To authorise the directors to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear working days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution.

Voting on all Resolutions will be by way of a poll.

By Order of the Board



**Alison Yapp**  
Group General Counsel and Company Secretary

17 December 2018

Registered Office:  
Compass House  
Guildford Street  
Chertsey  
Surrey KT16 9BQ

Registered in England and Wales No. 4083914

## EXPLANATORY NOTES TO THE RESOLUTIONS

### RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

The directors are required to present to the AGM the audited Accounts and the Directors' and Auditor's Reports for the financial year ended 30 September 2018.

### RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

In accordance with section 439 of the Companies Act 2006 (CA 2006), shareholders are requested to approve the Directors' Remuneration Report. The Directors' Remuneration Report is set out on pages 71 to 93 of the 2018 Annual Report and Accounts. The vote is advisory.

### RESOLUTION 3 – FINAL DIVIDEND

The final dividend for the year ended 30 September 2018 will be paid on 25 February 2019 to shareholders on the register at the close of business on 18 January 2019, subject to shareholder approval.

### RESOLUTIONS 4 TO 13 – ELECTION AND RE-ELECTION OF DIRECTORS

Biographical details of all the directors standing for election and re-election appear on pages 49 to 51 of the 2018 Annual Report.

The Company's Articles of Association require one third of the directors to retire by rotation each year and no director may serve for more than three years without being re-elected by shareholders. However, in accordance with the UK Corporate Governance Code 2016 (the Code), all the directors will submit themselves for annual re-election by shareholders.

Having conducted an evaluation during the year, it is the view of the Chairman that the performance of each of the directors continues to be effective and that each director demonstrates commitment to the role and has sufficient time to meet his or her commitment to the Company.

### RESOLUTIONS 14 AND 15 – AUDITOR

The auditor is appointed at every general meeting at which accounts are presented to shareholders. The current appointment of KPMG LLP as the Company's auditor will end at the conclusion of the AGM and it has advised of its willingness to stand for reappointment. In accordance with provisions of the Code, it is best recommended practice for the Audit Committee to be authorised to agree how much the auditor should be paid and Resolution 15 grants this authority to the Audit Committee.

### RESOLUTION 16 – DONATIONS TO POLITICAL PARTIES

It is not Group policy to make donations to political parties. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries might unintentionally fall within the wide definition of matters constituting political donations and expenditure in the CA 2006. Any expenditure that is regulated under the CA 2006 must first be approved by shareholders and will be disclosed in next year's Annual Report. This Resolution, if passed, will renew the directors' authority until the AGM to be held in 2020 (2020 AGM) (when the directors intend to renew this authority) to

make donations and incur expenditure which might otherwise be caught by the terms of the CA 2006, up to an aggregate amount of £100,000 for the Company and for subsidiary companies.

### RESOLUTION 17 – PAYMENT OF FEES TO NON-EXECUTIVE DIRECTORS

The Company is seeking shareholder approval to pay each of its non-executive directors the full fee payable to them in respect of each non-executive role they perform for the Company.

### MEMORANDUM

#### (AS REQUIRED BY S226D CA 2006)

The Company's current directors' Remuneration Policy, approved by shareholders at the Company's Annual General Meeting on 8 February 2018, imposes an annual cap of £125,000 on the fees payable to any non-executive director.

The Remuneration Policy permits non-executive directors to be paid separate fees for different non-executive roles they perform for the Company. These currently comprise an annual base fee for serving as non-executive director (currently £86,000); an additional annual fee for serving as chairman of the Audit, Corporate Responsibility and Remuneration Committees (currently £30,000); and an additional annual fee (currently £30,000) for serving as Senior Independent Director. Under the Remuneration Policy, the aggregate fees payable to a non-executive director who performs several such non-executive roles simultaneously are subject to the £125,000 cap.

The effect of the cap is that non-executive directors may not be entitled to receive the full fee otherwise payable for each role they perform. The Company is of the view that non-executive directors should be appropriately and fairly remunerated for the roles they perform. The Company is therefore now proposing that it should be permitted to pay each non-executive director the full fee payable for each non-executive role he or she performs for the Company, without reference to the £125,000 annual cap. No other changes are proposed to the Company's overall approach to payment of fees to non-executive directors, as set out in the shareholder approved Remuneration Policy.

As the payment of fees without reference to the annual fee cap for non-executive directors would be outside the current Remuneration Policy, it requires approval by shareholders in a general meeting under Section 226B(1)(b) of the CA 2006.

This Memorandum comprises the payment particulars memorandum in respect of the approval of payment to non-executive directors that is required to be made available for inspection by shareholders in accordance with Section 226D of the CA 2006. It will therefore be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ and will also be made available at the AGM for a period of 15 minutes prior to and during the continuance of the AGM. This Memorandum shall also be available for inspection on the Company's website from the date of this Notice until the conclusion of the AGM.

## RESOLUTION 18 – DIRECTORS' AUTHORITY TO ALLOT SHARES

The purpose of Resolution 18 is to renew the directors' power to allot shares. Resolution 18.1 seeks to grant the directors authority to allot, pursuant to Article 12 of the Company's Articles of Association and section 551 of the CA 2006, relevant securities with a maximum nominal amount of £58,410,300. This represents 528,600,000 ordinary shares of 11½ pence each in the capital of the Company, which is approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 1 December 2018 (being the last practicable date prior to the publication of this Notice). The Company currently holds 3,837,253 shares in treasury. The authority would, unless previously renewed, revoked or varied by shareholders, remain in force up to the conclusion of the 2020 AGM of the Company or close of business on 6 May 2020, whichever is earlier.

In accordance with the Investment Association Share Capital Management Guidelines (the Guidelines), Resolution 18.2 seeks to grant the directors authority to allot approximately a further one third of the Company's issued ordinary share capital (excluding treasury shares) in connection with a rights issue in favour of ordinary shareholders with a nominal value of up to £58,410,300 (representing 528,600,000 ordinary shares of 11½ pence each). Such additional authority will be valid until the conclusion of the 2020 AGM.

If the Company uses any of the additional one third authority permitted by the Guidelines, the Company will ensure that all directors stand for re-election. The Company's current practice is that all directors submit themselves for re-election each year in accordance with the Code, notwithstanding the provisions set out in the Guidelines.

The total authorisation sought by Resolution 18 is equal to approximately two thirds of the issued ordinary share capital of the Company (excluding treasury shares) as at 1 December 2018, being the last practicable date prior to publication of this Notice.

*Resolutions 1 to 18 will be proposed as ordinary resolutions and require that more than half of the votes cast must be in favour of a resolution for it to be passed.*

## RESOLUTIONS 19 AND 20 – DISAPPLICATION OF PRE-EMPTION RIGHTS

If the Company issues new shares, or sells treasury shares, for cash (other than in connection with an employee share scheme), it must first offer them to existing shareholders in proportion to their existing holdings. In accordance with investor guidelines, approval is sought by the directors to issue a limited number of ordinary shares for cash without offering them to existing shareholders.

The Pre-Emption Group (which represents the Investment Association and the Pension and Lifetime Savings Association) published a revised statement of principles for the disapplication of pre-emption rights (the Principles) in 2015. The Principles provide that a general authority for the disapplication of pre-emption rights over approximately 5% of the Company's issued ordinary share capital should be treated as routine. This general authority, which the directors have sought and received in previous years, is dealt with under Resolution 19.

Subject to the passing of Resolution 18, Resolution 19 seeks to replace the authority conferred on the directors at the 8 February 2018 Annual General Meeting (2018 AGM) to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to Article 13 of the Company's Articles of Association and section 561 of the CA 2006. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 19 would be limited to a maximum nominal amount of £8,751,600.

The Pre-Emption Group further provides that the Company may, as routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 5% of the issued ordinary share capital of the Company, so long as certain criteria are met.

Subject to the passing of Resolution 18 and in addition to the authority granted by Resolution 19, Resolution 20 seeks to replace the authority conferred on the directors at the 2018 AGM to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to Article 13 of the Company's Articles of Association and section 561 of the CA 2006, provided that this authority will only be used for the purpose of:

- (i) an acquisition; or
- (ii) a specified capital investment in respect of which sufficient information regarding the effect of the investment on the Company, the assets that are the subject of the investment and (where appropriate) the profits attributable to those assets is made available to shareholders to enable them to reach an assessment of the potential return on the investment

which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 20 would be limited to a maximum nominal amount of £8,751,600.

Together, Resolutions 19 and 20 represent 158,400,000 ordinary shares of 11½ pence each in the capital of the Company, which is approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 1 December 2018 (being the last practicable date prior to the publication of this Notice). The authority would, unless previously renewed, revoked or varied by shareholders, expire at the conclusion of the AGM of the Company to be held in 2020 or close of business on 6 May 2020, if earlier.

Save for issues of shares in respect of various employee share schemes and any share dividend alternatives, the directors have no current plans to utilise the authorities sought by Resolutions 18, 19 and 20, although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years. The limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM and the directors confirm their intention to follow best practice set out in the Principles which provides that usage of this authority in excess of 7.5% of the Company's issued share capital in a rolling three year period would not take place without prior consultation with shareholders.

### RESOLUTION 21 – PURCHASE OF OWN SHARES

This Resolution authorises the directors to make limited on market purchases of the Company's ordinary shares. The power is limited to a maximum of 158,400,000 shares (just under 10% of the issued ordinary share capital as at 1 December 2018, being the last practicable date prior to the publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this Resolution will expire at the conclusion of the Company's next AGM or 18 months from the passing of this Resolution, whichever is the earlier.

The CA 2006 permits the Company to hold shares repurchased as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of satisfying the Company's obligations in connection with employee equity incentive schemes. The authority to be sought by this Resolution is intended to apply equally to shares to be held by the Company as treasury shares. No dividends will be paid on shares which are held as treasury shares and no voting rights will be attached to them. Shares held as treasury shares will normally be used to satisfy the Company's obligations under the Company's employee equity incentive schemes.

No share repurchases were made during the financial year ended 30 September 2018 or to the date of this Notice. However, the directors consider it desirable for such general authority to be available in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund any infill acquisitions.

As at 1 December 2018 (being the last practicable date prior to the publication of this Notice) there were 1,589,736,625 11½ pence ordinary shares in issue and 3,837,253 11½ pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

As at 1 December 2018 (being the last practicable date prior to the publication of this Notice), there were options to subscribe for ordinary shares issued by the Company outstanding over approximately 6,401,713 shares which represent 0.40% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 0.45% of the Company's issued ordinary share capital (excluding treasury shares).

### RESOLUTION 22 – NOTICE OF MEETINGS OTHER THAN ANNUAL GENERAL MEETINGS

The Company's Articles of Association allow the directors to call general meetings, other than AGMs, on 14 clear working days' notice. However, under the Companies (Shareholders' Rights) Regulations 2009 (the Regulations), all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period, and the Company has met the requirements for electronic voting under the Regulations. This Resolution seeks to renew the authority granted by shareholders at last year's AGM which preserved the Company's ability to call general meetings, other than AGMs, on 14 clear working days' notice, such authority to be effective until the Company's next AGM, when a similar resolution will be proposed. The directors confirm that the shorter notice period would not be used as a matter of routine, but only where flexibility is merited by the business of the meeting and it is thought to be to the advantage of shareholders as a whole. An electronic voting facility will be made available to all shareholders for any meeting held on such notice.

*Resolutions 19 to 22 will be proposed as special resolutions and require that at least three quarters of the votes cast must be in favour of a resolution for it to be passed.*

### RECOMMENDATION

The directors consider that each of the Resolutions is in the best interests of the Company and the shareholders as a whole and, accordingly, recommend that all shareholders vote in favour of all Resolutions, as the directors intend to do in respect of their own holdings.

## IMPORTANT INFORMATION

### PROXIES

- (i) A shareholder entitled to attend and vote at the AGM may appoint a proxy or proxies (who need not be a shareholder of the Company) to exercise all or any of his or her rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

Proxies may only be appointed by:

- going to [www.signalshares.com](http://www.signalshares.com) and following the instructions for electronic submission provided there
- requesting a paper Form of Proxy from the registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568; email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)
- having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members). Please refer to the CREST manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)) for further information

Submission of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person. However, if you do attend the Meeting and vote, any proxy appointment will be treated as revoked.

The electronic addresses provided in this Notice are provided solely for the purpose of enabling shareholders to register the appointment of a proxy or proxies for the Meeting or to submit their voting directions electronically. You may not use any electronic address provided in this Notice of this Meeting to communicate with the Company for any purposes other than those expressly stated.

- (ii) To be effective, the Form of Proxy must be completed in accordance with the instructions and received by the Company's registrar by 12 noon on Tuesday 5 February 2019.

To appoint a proxy or to give an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID RA10) by 12 noon on Tuesday 5 February 2019. Please note, however, that proxy messages cannot be sent through CREST on weekends, public holidays or after 8.00pm on any other day. For the purpose of this deadline, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST personal members or other CREST sponsored members and those CREST members that have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

- (iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the CA 2006, the Company specifies that only those shareholders registered in the Register of Members of the Company as at close of business on Tuesday 5 February 2019 or, in the event that the Meeting is adjourned, in the Register of Members at the close of business two days before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on Tuesday 5 February 2019 or, in the event that the Meeting is adjourned, at close of business two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

### NOMINATED PERSONS

Any person to whom a copy of this Notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (Nominated Person) may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note (i) above does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

### SHAREHOLDER RIGHTS AND AGM BUSINESS

Under sections 338 and section 338A of the CA 2006, shareholders meeting the threshold requirements which, broadly, require a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued share capital, have the right to require the Company: (i) to give to shareholders of the Company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved, at the AGM; and/or (ii) to include in the business to be dealt with at the AGM, any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory; or (c) it is frivolous or vexatious. Such a request may be in hard copy or electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or



persons making it, must be received by the Company not later than Wednesday 26 December 2018, being the date six weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

#### RIGHT TO ASK QUESTIONS

Under section 319A of the CA 2006, shareholders have the right to ask questions at the AGM relating to the business of the Meeting and for these to be answered, unless such answer would interfere unduly with the business of the Meeting, involve the disclosure of confidential information, if the answer has already been published on the Company's website, or if it is not in the interests of the Company or the good order of the Meeting that the question be answered.

#### WEBSITE PUBLICATION OF AUDIT CONCERNS

Under section 527 of the CA 2006, shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be submitted to the Meeting or any circumstances connected to the Company's auditor who ceased to hold office since the last AGM. The Company will publish the statement if sufficient requests have been received in accordance with section 527(2) of the CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued ordinary share capital (excluding treasury shares) to make the request. The Company may not require the members requesting any such website publication to pay its expenses in complying with such request. Where a statement is published, the Company will forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the CA 2006 to publish on its website.

#### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the service agreements of the executive directors, the letters of appointment of the non-executive directors, the directors' deeds of indemnity, the Register of Directors' Interests, and the Company's Articles of Association and this Notice will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ and will also be made available at the AGM for a period of 15 minutes prior to and during the continuance of the AGM.

#### TOTAL VOTING RIGHTS

As at 1 December 2018 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital comprised 1,585,899,372 ordinary shares of 11<sup>1</sup>/<sub>20</sub> pence each (excluding treasury shares). The holders of ordinary shares are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote. On a vote by poll, every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share held. It is proposed that all votes on the Resolutions at the AGM will be taken by way of a poll.

The total voting rights in the Company as at 1 December 2018 were 1,585,899,372 (excluding treasury shares).

#### INFORMATION AVAILABLE ON WEBSITE

The following information is available on the Company's website at [www.compass-group.com](http://www.compass-group.com):

- (i) the matters set out in this Notice of Meeting
- (ii) the total voting rights and number of shares of each class in respect of which shareholders are entitled to exercise voting rights at the AGM
- (iii) shareholders' rights to include business to be dealt with at the AGM
- (iv) shareholders' statements, resolutions and matters of business received by the Company after 17 December 2018

### ATTENDING THE AGM

If you are coming to the AGM, please bring the Notification Letter dated 17 December 2018 with you. It authenticates your right to attend, speak and vote at the AGM and will speed your admission. You may also find it useful to bring this Notice of AGM and the Annual Report 2018 so that you can refer to them at the Meeting. All joint shareholders may attend and speak at the AGM. However, only one shareholder is entitled to vote. In the case of joint holders of a share, the vote of the senior who tenders the vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the register.

At the discretion of the Company, and subject to sufficient seating capacity, a shareholder may enter with one guest, provided that the shareholder and their guest register to enter the AGM at the same time.

### THE AGM

The doors of the Live Room at Twickenham RFU Stadium will open at 10.30am and the AGM will start promptly at 12 noon. Please see the map on page 201 for the location of Twickenham RFU Stadium. Car parking is available for shareholders as indicated on the map. For more information of how to get to the venue, go to <http://www.englishrugby.com/twickenham/visiting-the-stadium/getting-here>.

### QUESTIONS

All shareholders or their proxies will have the opportunity to ask questions at the AGM. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. A question may not be answered at the Meeting if it is not considered to be in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of sensitive information. The Chairman may also nominate a representative to answer a specific question after the Meeting or refer the questioner to the Company's website.

### VOTING AT THE AGM

The Company confirms that all Resolutions to be proposed at the AGM will be put to the vote on a poll. This will result in a more accurate reflection of the views of all of the Company's shareholders by ensuring that every vote is recognised, including the votes of shareholders who are unable to attend the Meeting but who have appointed a proxy for the Meeting. On a poll, each shareholder has one vote for each share held.

All of the votes of the shareholders present will be counted, and added to those received by proxy, and the provisional final votes will be displayed at the Meeting.

The indicative voting results, which will include all votes cast for and against each Resolution at the Meeting, and all proxies lodged prior to the Meeting, will be displayed at the Meeting and the final results published on the Company's website, the London Stock Exchange and on the document storage system, Morningstar, as soon as practicable after the Meeting. The Company will also disclose the number of votes withheld.

If you have already voted by proxy, you will still be able to vote at the Meeting and your vote on the day will replace your previously lodged proxy vote.

Whomever you appoint as a proxy can vote or abstain from voting as he or she decides on any other business which may validly come before the AGM. This includes proxies appointed using the CREST service. Details of how to complete the appointment of a proxy either electronically or on paper are given in the notes to this Notice.

## VENUE ARRANGEMENTS

For your personal safety and security, all hand baggage may be subject to examination. A cloakroom will be available to deposit coats and bulky items.

A sound amplification/hearing loop will be available in the meeting room.

There is wheelchair access. Anyone accompanying a shareholder in need of assistance will be admitted to the AGM. If any shareholder with a disability has any questions regarding attendance at the AGM, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ by 28 January 2019.

Security staff will be on duty to assist shareholders. The Company will not permit behaviour that may interfere with another person's security, safety or the good order of the AGM.

Please ensure that all electronic equipment (including mobile phones) is switched off throughout the AGM.

Tea and coffee will be available before the Meeting and light refreshments will be served afterwards.

## SHAREHOLDER ENQUIRIES

Link Asset Services maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

## AMERICAN DEPOSITARY RECEIPT ENQUIRIES

BNY Mellon maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary Shares, you should contact BNY Mellon, Shareowner Services, Computershare, P.O. Box 30170, College Station TX 77842-3170, USA or [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com).

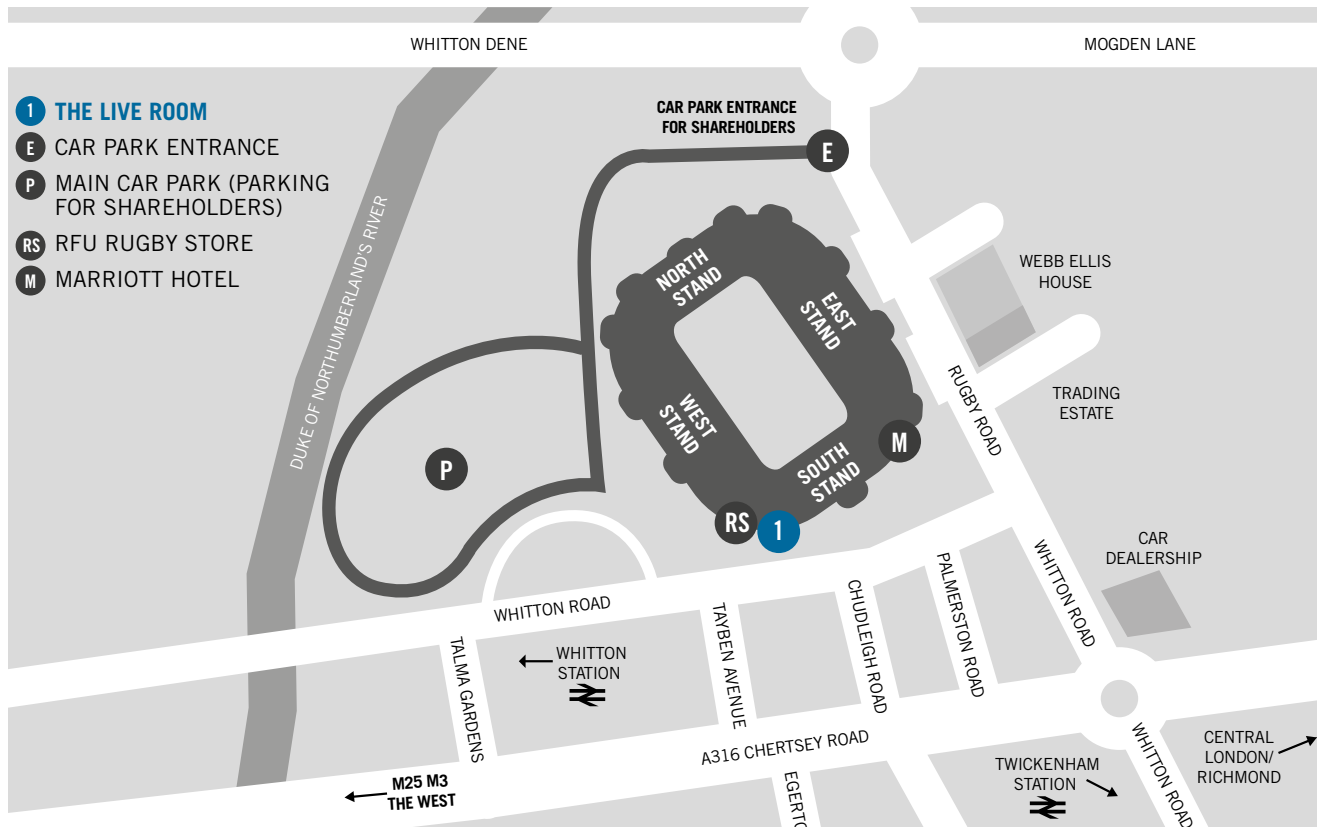
## DATA PROTECTION STATEMENT

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

## PUBLISHED INFORMATION

If you would like to receive this Notice and/or a copy of the Annual Report 2018 in an appropriate alternative format, such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Our 2018 Annual Report and this Notice are available at [www.compass-group.com](http://www.compass-group.com).



## GLOSSARY OF TERMS

Capital employed	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Constant currency	Restates the prior year results to the current year's average exchange rates.
Free cash flow	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests.
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Gross capital expenditure	Includes the purchase of intangible assets and property, plant and equipment, including assets purchased under finance leases and client prepayments.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net capital expenditure	Gross capital expenditure less proceeds from sale of property, plant and equipment/intangible assets.
Net debt	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
Net debt to EBITDA	Net debt divided by underlying EBITDA.
NOPAT	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Organic profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying operating profit.
Organic profit	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying revenue.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	Amortisation of intangibles arising on acquisition. Acquisition transaction costs. Adjustment to contingent consideration on acquisition. Tax on share of profit of joint ventures. (Loss)/profit on sale and closure of businesses. Change in the fair value of investments. Other financing items including hedge accounting ineffectiveness.
Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying depreciation and amortisation.

Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Free cash flow adjusted for cash restructuring costs in the year relating to the 2012 and 2013 European exceptional programme.
Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin – Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin – Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying operating profit – Group	Includes share of profit after tax of associates and profit before tax of equity accounted joint ventures but excludes the specific adjusting items.
Underlying operating profit – Region	Includes share of profit before tax of equity accounted joint ventures but excludes the specific adjusting items profit after tax of associates and EM & OR restructuring.
Underlying profit before tax	Excludes specific adjusting items.
Underlying revenue	The combined sales of Group and share of equity accounted joint ventures.
Underlying tax charge	Excludes tax attributable to specific adjusting items.

## FORWARD LOOKING STATEMENTS

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements.

Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the food and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates.

Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.



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