Annual Report 2012

COMPASS GROUP

Focus in a changing world










Compass Group PLC delivers to millions of people around the world every day. We **innovate** to find new and exciting ways to deliver, we **source** high quality products, we **prepare** delicious dishes, and we **provide** great food and support services to our clients. In a constantly changing world, we remain focused on delivering for all our stakeholders.

Contents

50
Countries

50,000+
Different client locations

509,000
Great people delivering great service

4bn+
Meals served a year

See this Report and our full Corporate Responsibility Report online at
www.compass-group.com/ar12

Financial highlights

Revenue

12	£16,905m
11	£15,833m
10	£14,468m

Total underlying operating profit

12	£1,178m
11	£1,091m
10	£1,003m

Underlying operating margin

12	6.9%
11	6.9%
10	6.9%

Reported profit before tax

12	£789m
11	£958m
10	£913m

Underlying basic earnings per share

12	42.6p
11	39.0p
10	35.7p

Dividends per ordinary share

12	21.3p
11	19.3p
10	17.5p

Underlying free cash flow

12	£760m
11	£693m
10	£744m

Regional performance

With the differing opportunities and challenges in each geographic region, we have evolved the Group's regional management structure to bring a more incisive focus to each area.

Global focus

In line with the management changes we announced at our full year results in November 2011, we now see our business in three segments: North America, Europe & Japan and Fast Growing & Emerging. In simple terms, the three segments comprise countries that are at similar stages of development and display similar dynamics.

We have had another excellent year in North America, with strong organic growth of over 8%, driven by significant levels of new business across all sectors. We have also made further good progress on the operating margin, increasing it by 10 basis points and achieving 8% for the first time.

Economic conditions in many parts of Europe, particularly in the south of the continent, have declined through the year, a trend that accelerated through the second half. Encouragingly, however, new business wins in some countries have been good. Trading conditions in Japan have substantially recovered.

2012 has been a successful year in Fast Growing & Emerging with organic revenue growth of 12%. We have won excellent levels of new business with both international and local organisations and we have reinvested in the many growth opportunities we see.

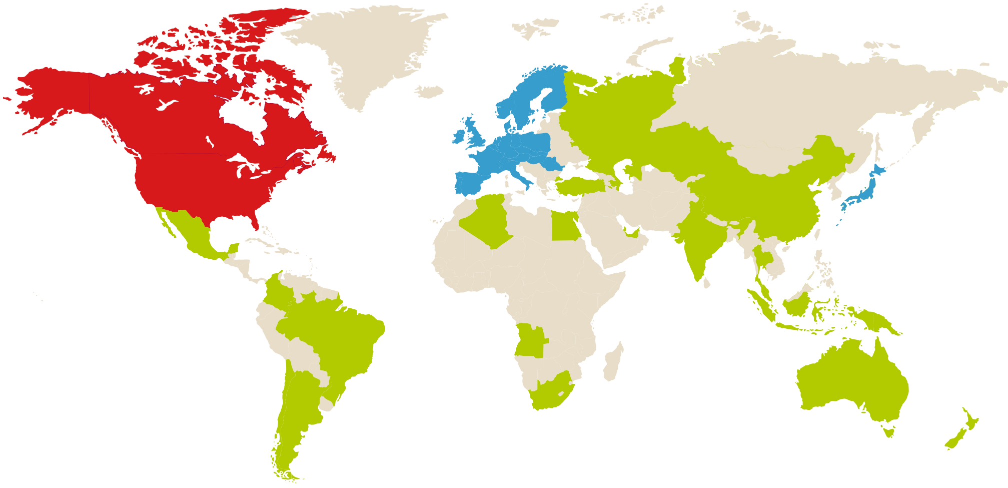
North America

£7,517m
Revenue
(2011: £6,849m)

£598m
Underlying operating profit
(2011: £538m)

44%
% of Group revenue
(2011: 43%)

North America
Europe & Japan
Fast Growing
& Emerging



Europe & Japan

£6,243m
Revenue
(2011: £6,217m)

£397m
Underlying operating profit
(2011: £400m)

37%
% of Group revenue
(2011: 39%)

Fast Growing & Emerging

£3,145m
Revenue
(2011: £2,767m)

£235m
Underlying operating profit
(2011: £207m)

19%
% of Group revenue
(2011: 18%)

See page 39 for relevant definitions.

Business model

Everyone in Compass is committed to consistently delivering superior service in the most efficient way, for the shared benefit of our customers, employees, shareholders and other stakeholders.

Focus on delivery

Innovation is integral to our business. We are constantly striving to improve what we do; from more efficient and sustainable ways of sourcing to maintaining and enhancing best practice standards. This gives our clients and consumers greater choice and the highest levels of service.

We source from a range of local, national and international growers and distributors. The people we buy from undergo a robust quality assurance process to ensure that the ingredients we use are of the highest quality. We can trace our products through each stage of the supply chain, giving us detailed information on their provenance.

Health and safety is our number one operational priority and we are committed to the highest standards of food hygiene and safe working practices. When the food arrives at one of our more than 50,000 locations, it is prepared by our highly trained and qualified employees. Through initiatives such as our Trim Trax programme, we are able to limit the amount of waste we generate.

Millions of people around the world rely on us every day to provide their breakfasts, lunches and dinners, as well as keeping their environments clean and secure. Our delivery model in both food and support services is based on self performance, meaning that, wherever possible, it's our people looking after our clients' people.

7.9%
Group revenue growth
(2011: 9.2%)

8.8%
Group operating profit growth
(2011: 8.6%)

10.4%
Dividend growth
(2011: 10.3%)

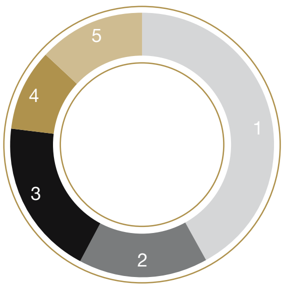
Revenue and operating profit growth stated on a constant currency basis.


1 Innovate
Find out more on page 08
2 Source
Find out more on page 14
3 Prepare
Find out more on page 20
4 Provide
Find out more on page 30
How we deliver

Our sectors

Continuing to build on our sector expertise, and recognising that each of them has specific requirements, are key drivers of differentiation for our clients and fully underpin our drive for innovation and operating efficiency.

Group breakdown



Revenue by sector
1 42% Business & Industry
2 16% Education
3 19% Healthcare & Seniors
4 10% Sports & Leisure
5 13% Defence, Offshore & Remote

Business & Industry

We provide a choice of quality, nutritious and well-balanced food for employees during their working day. In addition, where clients seek broader service offerings, the Compass Service Framework enables us to deliver a range of support services to the highest standard, at the best value, on an international scale.

Major sector brands

42%

Group revenue
(2011: 42%)

Education

From kindergarten to college, we provide fun, nutritious dining solutions that help support academic achievement at the highest levels. Our simple set of commitments – Eat, Learn, Live – helps us to educate young people about how to have a happy, safe and healthy lifestyle while contributing to a sustainable world.

Major sector brands

16%

Group revenue
(2011: 16%)

For consumers, this means speedier access to sector-focused best practices and market-leading innovations that are delivered by our people, from award winning chefs to service practice experts.

Healthcare & Seniors

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 services. With a significant presence in the growing senior living market, we also provide care services to residential homes and home meal delivery services.

Major sector brands

medirest

MORRISON

Crothall Services Group

19%

Group revenue
(2011: 18%)

Sports & Leisure

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.

Major sector brands

Levy Restaurants

All Leisure

10%

Group revenue
(2011: 11%)

Defence, Offshore & Remote

Through our relentless health and safety culture, we are a market leader in providing food and support services to major companies in the oil and gas and mining and construction industries, operating in some of the most demanding environments in the world. For our defence sector clients, we are a partner who meets the challenges of running efficient operations outside of areas of conflict.

Major sector brands

ESS Support Services Worldwide

13%

Group revenue
(2011: 13%)

>1 Business model

Trends don't emerge one day and disappear the next; they continue to evolve and change. We respond as a global company with individual creativity and flair.

Wherever we serve people, their demand for quality, choice and value is as discerning as you would find on any high street. Our consumer focus drives the development and innovation in our offers, brands and service to attract people to our restaurants and food outlets day in, day out.

Compass is committed to providing our clients with innovations and concepts that will increase consumer participation, drive loyalty and improve satisfaction. Our goal is to provide quality food and service offers that align with the priorities of clients and consumers. In order to achieve this, we carry out extensive on-site research to ensure we understand our customer base and respond to overarching trends such as wellness and individualism. We ensure our people receive the training they need to deliver service excellence and increase customer satisfaction and we measure our success to make sure we get it right.

7m

Steamplicity meals provided globally this year

38%

Increase in patient food consumption when eating Steamplicity meals

ate

Steamplicity – an innovative cooking solution

A healthy diet depends on the provision of fresh, nutritious food. That's why we've developed Steamplicity, a unique technology that steams food and provides tasty, wholesome meals within minutes, for hospital patients around the world.

Our menus have been developed in consultation with medical professionals, our in-house chefs and dieticians and, more importantly, with the help of the patients who eat the food. Nutritionally balanced menu choices for both hot and cold meals have been created. The meals are cooked from fresh ingredients, which means they offer excellent taste, texture and flavour. Steamplicity is now also available in schools and offices, and allows our clients to offer their customers delicious, healthy meals, varied choice and flexibility of service.

Market perspective

The structural growth potential in the outsourced food and support services markets is a key growth driver. The outsourcing proposition remains compelling: we can offer organisations better quality and service at a lower cost.

Market focus

£400bn+
Combined size of food and support services markets

<50%
Proportion of food service market currently outsourced

242%
Growth in Compass' support and multi services business over the last 6 years

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

More and more organisations are choosing to outsource their food and support services to us. They know that by doing so, they can fully focus on running their operations and, by working with us, benefit from:

- Improving quality and potentially reducing costs
- Meeting the highest health, safety and environmental standards
- Taking advantage of our market leading innovation and best practices from around the world
- Access to the latest food concepts and leading brands

Despite the good levels of growth we have achieved over the last few years, we still believe there are further opportunities to capitalise on in both the food and soft support services markets.

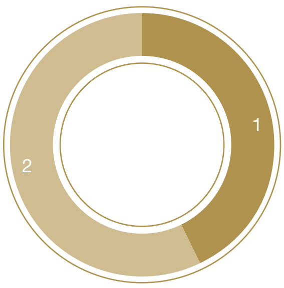
Estimated at around £200 billion, the food service market is currently less than 50% outsourced. We believe that, as economic conditions put pressure on the public and private sectors, the benefits of outsourcing will become ever more apparent, and we are well placed to deliver services to more organisations. We see significant opportunities across our sectors. Business & Industry, our largest sector, continues to grow and there is excellent potential globally. There are also good opportunities in Healthcare & Seniors and Education, which have a combined value of about £95 billion and are significantly underpenetrated.

The majority of our new business is derived from first time outsourcing and small, regional players, with only a small proportion coming from other large competitors. This is an attractive feature of our business.

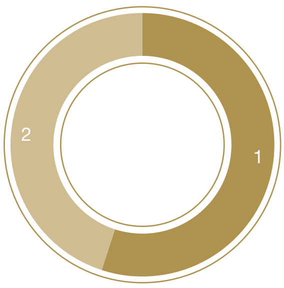
Organisations also rely on us to provide a range of soft support services such as cleaning, reception services and light building maintenance in addition to our core food service. The addressable soft support services market is much larger than the food service market and is also underpenetrated. Our approach is low risk and incremental, driven by client demand on a country by country basis.

In order to capture this growth potential, we have a clear strategy which is set out on pages 12 and 13. We remain focused on being a world-class provider of contract food and support services, renowned for our great people, our great service and our great results. We will look to continue to invest in organic growth and in appropriate infill acquisitions without losing sight of our relentless focus on efficiency.

Outsourcing penetration rates for addressable food and support services markets.



Food service
1 Outsourced
2 Self operated



Support services
1 Outsourced
2 Self operated

Our strategy

Food is our core business. Allied to this, we continue to build our support and multi service capabilities. Organic growth remains the first priority, supplemented by infill acquisitions, and we see significant opportunities for further efficiency.

Focus on food

Food remains our core business. Culinary expertise sits at the heart of who we are, shaping our wider business development, people skills, and buying and marketing activities. We provide a choice of high quality, nutritious and well balanced food to meet people's needs during the day and throughout life.

Growing support and multi services

Support and multi services are a growing part of the business and accounted for 24% of revenue in 2012. We are increasing our capabilities in an incremental and low risk way, responding to client demand on a country by country basis.

Geographic spread and emerging markets

Operating in around 50 countries, we have an excellent geographic mix, which continues to diversify our revenue sources. We have the global reach and capability to deliver high quality food and support services in the most efficient way, consistently, daily and, above all, safely around the world.

Organic growth, supplemented by infill acquisitions

We have maintained our focus on quality sustainable growth through MAP 1 and 2, whilst still retaining our relentless focus on efficiency. Our strong growth in new business has been underpinned by increased outsourcing in some parts of the world, improved processes and an attractive geographic mix. We've maintained a high level of client retention, underpinned by the implementation around the business of the Strategic Alliance Group, the best practice retention framework originally created by our US business. In addition to winning new contracts,

Ongoing drive for efficiencies

Over the last six years, we have increased the Group margin by 250 basis points through the application of the MAP framework. We have worked hard to manage our cost of food (MAP 3) in the face of high food cost inflation through menu management, supplier and product rationalisation, logistics and waste reduction.

Management and Performance ('MAP') framework:

1 Client sales and marketing
2 Consumer sales and marketing
3 Cost of food
4 In unit costs
5 Above unit costs

Our wide range of food service solutions is designed to cater for any format and size of location. We provide everything from free flow restaurants to formal dining, grab and go deli and café outlets to hospitality services and vending.

We deliver excellence in each service, both individually and as part of a multi service offer. Where we provide multi services, we seek to optimise workflow efficiencies to drive greater efficiency. Our delivery model is based on self performance, ensuring quality and reducing complexity for clients.

We are becoming increasingly excited about the Fast Growing & Emerging region, which now accounts for 19% of the Group's revenue. We expect these markets to become a larger part of the Group over time, driven by both economic growth and an accelerating trend to outsourcing.

we have had success in cross-selling additional services to existing clients. This organic growth has been supplemented by selective, infill acquisitions across our existing geographies, services and sectors.

We have made some progress in optimising our cost of labour (MAP 4) through better scheduling and productivity and we have successfully controlled our above unit costs (MAP 5). Looking forward, we continue to see significant potential to optimise our costs and progress the margin further.

KPIs

Revenue

12	£16,905m
11	£15,833m
10	£14,468m

Underlying operating profit

12	£1,178m
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See this Report and our full Corporate Responsibility Report online at **www.compass-group.com/ar12**

>2 Business model

Having a responsible supply chain is important for us to deliver the quality of service that is a key business driver for the Group.

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Compass purchases goods and services from a wide variety of suppliers all over the world, from large international organisations to specialist local suppliers. We buy direct from growers, manufacturers and producers as well as wholesalers to maintain a robust supply chain, ensuring high levels of traceability.

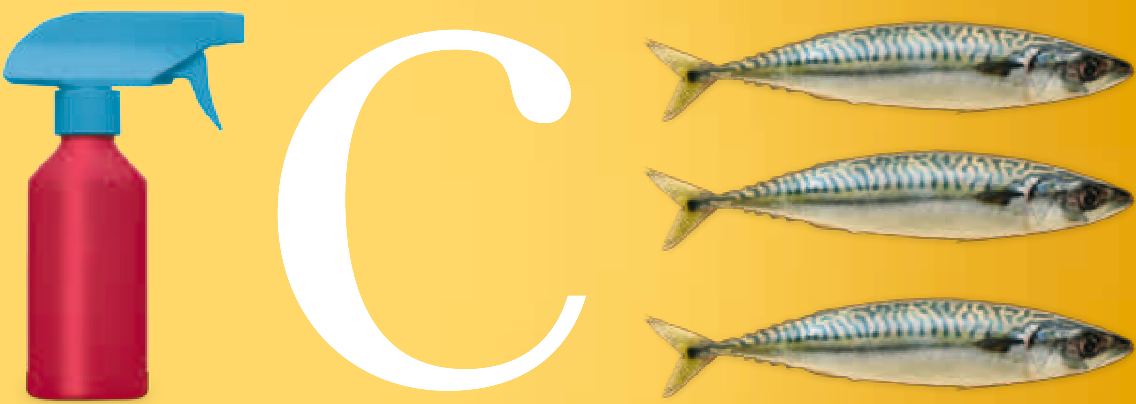
As a result of our responsible approach to sourcing, we are able to build the confidence of our clients and consumers, reduce potential risks and develop sustainable relationships. We seek to establish mutually beneficial relationships with all our suppliers, and encourage them to match our high standards in respect of quality, food safety, working conditions, trading practices, health and safety and environmental protection.

2,400

Tonnes reduction of CO_2 by our UK business this year

1st

MSC 'Chain of Custody' certified restaurant operated in Australia



Reducing CO_2 emissions

We are working hard across all of our businesses to improve the efficiency of our logistics and reduce our carbon footprint. In the UK alone, by centrally consolidating our logistics activities, we have already reduced CO_2 emissions by 2,400 tonnes this year, meaning more than 160,000 fewer deliveries to our units. Another great example is the CO_2 Neutral Delivery programme, introduced by our business in Sweden, which offsets CO_2 emissions by investing in valuable environmental projects.

Sustainable sourcing

Global fish stocks are reducing as demand increases. In response to this challenge, we continue to extend our Marine Stewardship Council ('MSC') certification coverage around the world by offering responsibly sourced fish and seafood. A great example of our commitment in action is in Australia where we operate the first restaurant in the country to receive the rigorous MSC 'Chain of Custody' certification. This certification ensures the traceability of all fish products, and customers can be confident that the seafood they consume comes from sustainable, certified fisheries.

Acting Responsibly

The Compass business strategy drives our Corporate Responsibility ('CR') approach and progressively we are integrating sustainability into the business operating model. Our key business drivers of strong customer relationships, team performance and food and service quality depend upon having engaged and productive employees.

Focus on responsibilities

Adopting responsible practices in the areas of Our People, Wellness, Sustainability and Community places corporate responsibility at the heart of our business practices and customer propositions. In practice, this means we are working hard to continuously improve the positive contribution we make through the delivery of our customer service by the responsible use of resources, the health and wellness of our customers and the employment opportunities that we create in local communities. This helps us to meet the needs of both our business and stakeholders in a cost effective, responsible and reputable manner.

We operate in around 50 geographically diverse markets, each with different sustainability challenges. To promote positive change in our CR performance across these markets, we need to embed sustainability throughout our business. The Small Steps, Big Difference framework is a development of our global strategy which more clearly defines the steps we wish our businesses to implement, and supports the CR journey. A number of proven best practice initiatives from around the Group underpin this framework and provide countries with the strategic direction, practical steps and tools necessary to improve performance.

We believe that by taking small steps, together we can make a big difference. Learn more about our Small Steps, Big Difference framework in our full CR Report at www.compass-group.com/cr12.

We already take many small – and some big – steps to improve the sustainability of the business. In doing so, we provide more innovative solutions to our clients, enabling them to meet their own sustainability challenges.

However, we can't do this alone. All of our businesses, our 509,000 colleagues, our suppliers and our stakeholders have an important role to play to help us to deliver our commitments and safeguard a sustainable future.

The Board believes that the progressive integration of CR across the Group and the inclusion of broader social and environmental issues into our decision making process are helping us to achieve our business goals, acting as a building block for growth in shareholder value and benefitting the communities in which we operate.

2011-2012 CR performance and targets

Over the past year, we have continued to drive further improvements across the business, particularly in the areas of supply chain standards to improve responsible sourcing and, in the scope of our environmental performance reporting, to meet the requirements of the changing UK Government legislation on the reporting of greenhouse gas emissions.

Our Key Performance Indicators ('KPIs') relate to the business strategy and drive the sustainable development of our business. Since we started our CR journey in 2007, we have seen continued improvement in our sustainability performance against baseline data. Our latest CR performance against published targets is set out on pages 18 and 19.

Our values

Openness, trust and integrity
Passion for quality
Win through teamwork
Can do safely
Responsibility

Find out more...

We include detailed performance statistics and targets on our CR site at **www.compass-group.com/cr12**

Our CR commitments and progress

Target achieved

Target remains work in progress

Innovate	Key Performance Indicator	2011-2012 Target	2011-2012 Performance
Wellness and nutrition	Improvement in the total number of operating sites providing Balanced Choices (or equivalent healthy eating programme) to their customers	25% improvement by 2012	
Source			
Supply chain assurance and ethical sourcing	Improvement in the number of countries implementing the Compass Supplier Assurance Standard (including CR elements)	100% implementation across Top 20 countries	
Prepare			
Energy efficiency	Reduction in energy consumption by our corporate offices • Natural Gas • Purchased Electricity	10%	
Vehicle efficiency	Reduction in company vehicle fuel consumption (direct fuel purchased)	10%	
Water consumption	Reduction in water consumption by our corporate offices	10%	
General waste reporting	Compliance in waste performance reporting	100% data capture	
Food waste	Implement Trim Trax (or equivalent) food waste reduction programmes	100% data capture	
Provide			
Food safety	Improve our global Food Safety Incident Rate*	% improvement	
Occupational health and safety	Improve our global Lost Time Injury Rate*	% improvement	
Employee retention	Measure employee retention rate for all employees	% total employee retention Data collection relating to: % management retention % site management retention	
Diversity	Measure % of women holding global leadership team positions*	% increase	
Business ethics	Measure total number of concerns reported by employees globally via Speak Up*	Measure and report concerns	
Employee survey	Your Voice survey* (The next Your Voice survey will be conducted in 2013)	N/A	N/A

Find out more...

We include detailed performance statistics and targets on our CR site at **www.compass-group.com/cr12**

Basis for consolidation:

- Top 20 countries represent 93% of total Group revenue
- All KPIs relate to our performance across our Top 20 countries unless highlighted with *, which relate to our global performance

2011-2012 Review	2012-2017 KPI Targets
We are making good progress with the provision of healthy eating programmes to our customers. We display calorie and nutritional labelling which help our customers make informed choices towards maintaining a healthy, balanced diet. We are the only food service company to have signed up to all four pledges of the UK Government's Responsibility Deal.	Report % improvement in the number of sites providing healthy eating programmes to their customers
We have made good progress with 15 of our Top 20 countries having implemented the Standard. We will continue the roll-out plan during 2012-2013.	100% implementation by September 2013
The trend across our operations is positive with significant improvements being achieved from the 2008 baseline. In addition, we have this year successfully extended our scope of reporting to include our Top 20 countries.	20% reduction by 2017 (against 2008 baseline) Report % improvement in total direct Greenhouse Gas emissions – metric tonnes
We continue to invest in low emission and electric vehicles to reduce fuel emissions, as well as to promote responsible driving behaviours.	20% reduction by 2017 (against 2008 baseline)
We are making good progress in reducing our water consumption and continue to invest in water efficiency equipment and practices. In addition, we are using web-based training programmes to improve the environmental awareness of our colleagues around the world.	20% reduction by 2017 (against 2008 baseline)
We have further improved the accuracy of our data including the composition of our waste by collaborating with our contractors and clients. We have made good progress by extending the scope of reporting to include our Top 20 countries.	25% improvement in recycling of waste from Compass offices by 2017 (against 2011 baseline)
This year, we have successfully extended the implementation of our food waste reduction programmes, with 19 of our Top 20 countries now reporting.	100% implementation by September 2013
Compared to the 2008 baseline, we have improved our food safety performance on a global basis by 32% through strong site compliance with our global Food Safety standards.	Report % improvement (against 2008 baseline)
This year, we achieved further improvement in our global health and safety performance by 26%, compared to the 2008 baseline. Our ongoing commitment to implement programmes to improve safety leadership and culture underpins this success. We had no work-related fatalities during the year.	Report % improvement (against 2008 baseline)
This year, we have improved the accuracy and scope of reporting to include data relating to management and site management.	Report % improvement (against 2012 baseline) of employee retention: • Total employees • Management • Site management
22% of our global leadership team positions are held by women (20.8% in 2010-2011).	Report % increase in women holding global leadership team positions
All our countries have access to the independently operated Speak Up whistle-blowing programme, which enables employees to report material concerns for review and follow-up. There is a clear escalation process in place to consider each concern raised. Where appropriate, a full investigation and remedial actions are taken.	Measure and report concerns
We conduct our global Your Voice employee survey every two years.	2013 Your Voice Survey: • Report participation rate • Report engagement score

>3 Business model

We are passionate about preparing great food without compromising on our commitment to the highest standards of health and safety.

Preparation is key to providing our clients and consumers with great food and services. It is therefore important that we give our people the necessary tools and training for them to deliver the best possible service. Safeguarding the health and safety of our people and customers is essential to the success of the business. We set out to establish a safety culture where our people instinctively take individual and collective responsibility for their own safety and that of those around them, and act accordingly. Equally important is minimising the environmental impact of our operations on the local communities in which we work and the global one we are part of.

50%

Reduction in plate waste in India

Zero Waste Day

The more food we waste, the greater impact we all have on the available food stocks across the globe. Our business in India has introduced a weekly Zero Waste Day to encourage consumers and employees to think about their portion sizes and the amount of food they waste. So far, plate wastage has reduced significantly, thereby reducing cost, waste and our impact on the environment.

Food safety for local communities

A food safety education programme developed by our Argentinian business is helping to raise awareness in local communities of the importance of working safely with food. Aimed at schools and young people, the programme helps them to understand the importance of preparing food safely. So far, 400 young people have been trained in how to use kitchen equipment and utensils in a safe way.

The ultimate goal of the programme is to provide food preparation training from an early age, supporting national guidelines for a more healthy population.

We are proud to be able to contribute to the wellbeing and development of young people in the communities in which we operate.

Chairman's statement

The Group has had another good year and the strength of our cash flow has enabled us to invest in organic growth and infill acquisitions, as well as rewarding shareholders.

Compass share price performance vs FTSE 100 Index over the last 3 years

32

Position in FTSE 100 Index as at 30 September 2012 (2011: 35)

Focus on growth

I am delighted to report another good year for Compass, with constant currency revenue growth of just under 8% and organic revenue growth of over 5%. We've delivered a similarly strong performance in operating profit as well, up nearly 9%, resulting in a slight increase in the margin on last year.

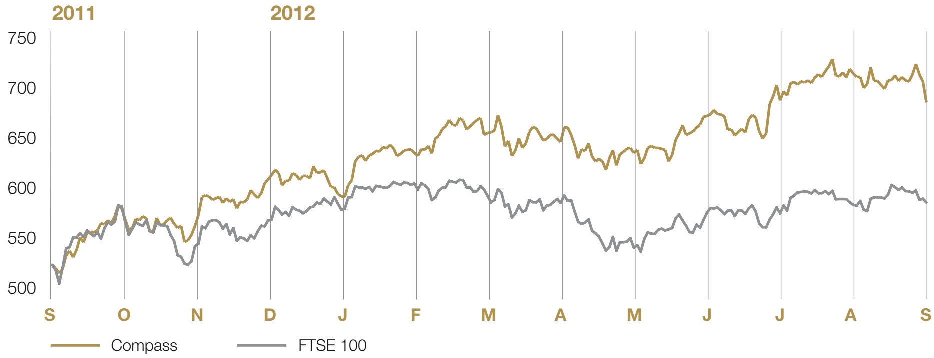
Across the Group, our businesses in North America and Fast Growing & Emerging are generating excellent growth and we continue to see high levels of new business wins and retention. The ongoing efficiencies we've generated have been reinvested to drive growth and we have delivered further improvement in the operating margin in North America. The outlook for both regions is exciting.

The fundamentals of our business in Europe are solid; however, economic conditions have become increasingly challenging through the year and we expect them to remain so. In September, we therefore announced a series of measures to improve operational efficiency and make our operations more competitive for the future.

We have delivered another year of strong cash flow, which is enabling us to invest in the business and reward Shareholders. During the year, we have also made a number of value creating acquisitions, which are making a healthy contribution to the Group.

Share price

Compass Group share price performance vs the FTSE 100 Index



FTSE 100 has been rebased to the Compass Group share price on 30 September 2011 (521.00p)

Commitment to corporate responsibility

Corporate responsibility underpins the responsible and sustainable delivery of our key business drivers and, as such, is an integral part of achieving our overall strategy. The Board believes that the integration of Corporate Responsibility across the Group and the inclusion of broader social and environmental issues into our decision making process will help Compass to achieve our business goals, act as a building block for growth in shareholder value and benefit the communities in which we operate. As such, the Board remains fully committed to this important aspect of how we operate.

We are now into our fifth year of measuring our progress and our drive for continuous improvement is set out in the Focus on responsibilities section of this Report on pages 16 to 19.

Shareholder returns

Our commitment to creating shareholder value remains strong. We are committed to a progressive dividend policy and, this year, the Board is proposing a final dividend of 14.1 pence for payment on 25 February 2013. This brings our total dividend for 2012 to 21.3 pence, a year on year increase of 10.4%.

With the confidence we have in our future performance and our current investment requirements, we have also taken the decision to drive greater efficiency into the balance sheet through a further £400 million share buyback, which we expect to complete in the 2013 calendar year. This is in addition to the current £500 million share buyback programme that we remain on track to complete before the 2012 calendar year end.

Leadership

As we announced at the 2011 full year results, in April 2012 we changed our management structure, dividing the Group into three regions – North America, Europe & Japan and Fast Growing & Emerging – to reflect the different opportunities and challenges around the world. This has brought a more focused and incisive approach to running the business.

Turning to the Board, we have seen a year of stability. We have an experienced and diverse Board, supported by strong leadership teams across the Group. We have worked hard to put in place effective succession and development programmes and the excellent results we continue to achieve are a testament to this effort and to the emphasis we have put on what will continue to be an important area of focus for me.

Our people

Our results are a reflection of the quality of our people across the world from the senior management to our teams in the units. On behalf of the Board, I would like to thank all of my Compass colleagues for their continued contribution and commitment to our clients, our consumers and our values.

Outlook

Compass has had a good year. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have delivered strong organic revenue growth and our operating profit margin in North America has reached 8%. Looking ahead to next year, the pipeline of new contracts is encouraging and we expect to see further good performances in these regions.

We anticipate that economic conditions in Europe will remain challenging, with like for like volume under ongoing pressure. However, our core business remains solid and we are taking action to re-base our business in Southern Europe and ensure we are best placed to capitalise on the many opportunities to drive future revenue and margin growth.

The combination of strong trading in North America and Fast Growing & Emerging, together with the European action plans, underpins our confidence in delivering against 2013 market expectations.

In the longer term, we remain very positive about the opportunities to grow the business and we are well positioned to capitalise on the significant structural growth potential in both food and support services globally. We also expect to generate more cost efficiencies, supporting our belief that we will make further progress in the operating profit margin.

Sir Roy Gardner
Chairman
21 November 2012

Focus on risk

The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders.

As set out in the Corporate Governance section on pages 46 to 52, 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 exploit the opportunities, and the continual monitoring of progress against agreed Key Performance Indicators are integral parts of the business process, and core activities throughout the Group.

Our process for identifying and managing risks is set out in detail on page 50 of the Corporate Governance section.

The table sets out the principal risks and uncertainties facing the business at the date of this Report. These 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.

The Group faces a number of operational risks on an ongoing basis including supply chain; information technology and infrastructure; litigation; financial and tax risk, each of which was disclosed in previous years' Annual Reports which can be found on our website at www.compass-group.com. We recognise that these risks remain important to the business and they are kept under review. However, we have focused our disclosures on those risks that are considered to be currently more significant to the Group.

Health, safety and environment

Risk: Health and safety
Mitigation: There is potential for accidents in the workplace. Health and safety is our number one operational priority. All management meetings throughout the Group feature a health and safety update as their first agenda item.

Risk: Food safety
Mitigation: Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene and food safety is paramount. The Group has appropriate policies, processes and training procedures in place to ensure full compliance with legal obligations and industry standards.

Risk: Environment
Mitigation: Every day, everywhere, we look to make a positive contribution to the health and wellbeing of our consumers, the communities we work in and the world we live in. Our Corporate Responsibility statement on pages 16 to 19 describes our approach in more detail.

Clients and consumers

Risk: Client retention
Mitigation: We have strategies which strengthen our long-term relationships with our clients based on quality and value. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.

Risk: Service delivery and compliance with contract terms and conditions
Mitigation: The Group's operating companies contract with a large number of clients. Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the appropriate contract terms and conditions.

Risk: Changes in client demand and consumer preferences
Mitigation: We strive to meet client and consumer demand for quality, choice and value by developing innovative and nutritious food offers which suit the lifestyle, tastes and spending power of our customers in today's challenging economic environment.

Risk: Consolidation of food and support services
Mitigation: We have developed a range of support services to complement our existing food offer. These services are underpinned by the Compass Service Framework, our standard operating platform for support services, which gives us the ability to deliver to a consistent world-class standard globally and differentiates us from our competitors.

Risk: Bidding risk
Mitigation: Each year, the Group's operating companies bid selectively for large numbers of contracts and a more limited number of concession opportunities. A rigorous tender 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.

Risk: Credit risk
Mitigation: Given the diverse and unrelated nature of the Group's client base, there is limited concentration of credit risk with regard to trade receivables. The Company continues to monitor its creditor base and the ability of clients to comply with payment terms in light of the impact of austerity measures arising from the global economic slowdown.

People

Risk: Recruitment
Mitigation: 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, appropriately qualified people and the seasonal nature of some of our business. However, the Group aims to mitigate this risk by efficient, time-critical resource management, mobilisation of existing, experienced employees within the organisation and through its training and development programmes, to meet its strategic aims.

Risk: People retention and motivation
Mitigation: Retaining and motivating the best people with the right skills is key to the long-term success of the Group. The Group has established training, development, performance management and reward programmes to develop, retain and motivate our best people.

The Group has a well-established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.

Risk: Succession planning
Mitigation: Succession planning is one of the key roles of the Board, to identify and develop employees' potential and to ensure that immediate and future resource is available for the Group to achieve its strategic and operational objectives.

The Nomination Committee is responsible for making recommendations to the Board as a whole in respect of Board succession. Details can be found on page 47.

Economic environment

Risk: Economy
Mitigation: Almost half of our business, the Healthcare & Seniors, Education and Defence, Offshore & Remote sectors, is less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to economic conditions and employment levels. However, with the variable and flexible nature of our cost base, it is generally possible to contain the impact of like for like volume declines.

Risk: Food cost inflation
Mitigation: As part of our MAP framework, we seek to manage food price inflation through: cost indexation in our contracts, giving us the contractual right to review pricing with our clients; menu management to substitute ingredients in response to any forecast shortages and cost increases; and continuing to drive greater purchasing efficiencies through supplier rationalisation and compliance as well as understanding and reviewing market and global trends.

Risk: Labour cost inflation
Mitigation: Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP framework, we have been deploying tools and processes to optimise labour productivity and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.

Eurozone

Risk: Operating performance
Mitigation: Recent conditions in the eurozone indicate that growth rates and consumer demand will remain under pressure for some time. Approximately 16% of our revenues are generated by clients located in the eurozone. Although the majority of the Group's revenues are generated outside of this region, a prolonged recessionary environment in the eurozone may adversely impact Group revenues and operating profit. The Company will continue to evaluate its operations within the eurozone to ensure that it is prepared to meet the ongoing challenges presented by the current environment.

Risk: Liquidity risk
Mitigation: The Group's liquidity risk (the ability to service short-term liabilities) is considered low in all scenarios other than a fundamental collapse of the financial markets and the Group's exposure to the Euro is considered to be minimal. Our policies with regard to managing liquidity risk and foreign currency risk are included on page 99 of the consolidated financial statements. The Company will continue to monitor its exposure in line with its policies to ensure that it minimises any risk.

Regulatory, political and competitive environment

Risk: Regulation
Mitigation: Changes to laws or regulations could adversely affect our performance. We engage with governments and non-governmental organisations directly or through trade associations to ensure that our views are represented.

Risk: Political stability
Mitigation: 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. The Group remains vigilant to future changes presented by emerging markets or fledgling administrations. We engage with governments and non-governmental organisations to ensure the views of our stakeholders are represented and we try to anticipate and contribute to important changes in public policy.

Risk: Competition
Mitigation: We operate in a competitive marketplace. The level of concentration and outsource penetration varies by country. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by continuing to promote our differentiated propositions by focusing on our points of strength such as flexibility in our cost base, quality and value of service.

Acquisitions and investments

Risk: Acquisition and investment risk
Mitigation: Capital investments and potential acquisitions are subject to appropriate levels of due diligence and approval. Post acquisition integration and performance is closely managed and subject to regular review.

Risk: Joint ventures
Mitigation: In some countries we operate through joint ventures which, if not managed effectively, could cause damage to the Group's reputation. Procedures are in place to ensure that joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.

Fraud and compliance risk

Mitigation: Ineffective compliance management could have an adverse effect on the Group's reputation and could result in significant financial penalties being levied or a criminal action being brought against the Company or its Directors. The Group's zero tolerance based Codes of Business Conduct and Ethics govern all aspects of our relationship with our stakeholders. All alleged breaches of the Codes are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.

Reputation risk

Mitigation: Our brands are amongst the most successful and best established in our industry. They represent a key element of the Group's overall marketing and positioning. In the event that our brands or reputation are damaged this could adversely impact the Group's performance. The Group's zero tolerance based Codes of Business Conduct and Ethics are designed to safeguard the Company's assets, brands and reputation.

Pensions risk

Mitigation: There are inherent funding risks associated with the provision of final salary pensions. However, the Group's UK defined benefit pension scheme is closed to future accrual and to new entrants other than for transfers under public sector contracts in the UK where the Company is obliged to provide final salary benefits to transferring employees. Further information is set out in note 24 of the consolidated financial statements on pages 106 to 110.

Our Board

Sir Roy Gardner
Chairman (Age 67)

Appointment Joined as Non-Executive Director in October 2005. Appointed Chairman in July 2006.

Committee membership Nomination (Chairman), Corporate Responsibility.

Skills and previous experience Sir Roy was formerly Chief Executive of Centrica plc, Chairman of Plymouth Argyle Football Club, Manchester United plc and Connaught plc and a Director of British Gas plc, GEC-Marconi Ltd, GEC plc and Laporte plc. He was also Chairman of the British Olympics Appeal Committee for the Beijing Games 2008.

Current external appointments Senior advisor to Credit Suisse, Non-Executive Director of Willis Group Holdings plc, Chairman of Mainstream Renewable Power Limited, Chairman of the Advisory Board of the Energy Futures Lab of Imperial College London, President of Carers UK, Chairman of the Apprenticeship Ambassadors Network and Chairman of EnServe Group Limited. Fellow of the Royal Aeronautical Society and Fellow of the Royal Society of Arts.

Richard Cousins
Group Chief Executive (Age 53)

Appointment Appointed Group Chief Executive in 2006.

Committee membership Corporate Responsibility, Executive, General Business and Nomination.

Skills and previous experience Richard spent six years as Chief Executive Officer of BPB plc, having previously held a number of positions with that company. His earlier career was with Cadbury Schweppes plc and BTR plc. He is also a former Non-Executive Director of P & O plc and HBOS plc.

Current external appointments Non-Executive Director of Reckitt Benckiser Group plc and member of the Advisory Board of Lancaster University Business School.

Dominic Blakemore
Group Finance Director (Age 43)

Appointment Joined the Board in February 2012 and was appointed as Group Finance Director in April 2012.

Committee membership Corporate Responsibility, Disclosure, Executive and General Business.

Skills and previous experience 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 of PricewaterhouseCoopers.

Current external appointments None.

Gary Green
Group Chief Operating Officer, North America (Age 55)

Appointment Appointed to the Board in 2007. Gary became Group Chief Operating Officer, North America in April 2012.

Committee membership Executive and General Business.

Skills and previous experience 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.

Andrew Martin
Group Chief Operating Officer, Europe & Japan (Age 52)

Appointment Appointed as Group Finance Director in 2004 and became Group Chief Operating Officer, Europe & Japan in April 2012.

Committee membership Executive and General Business.

Skills and previous experience Associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Chartered Institute of Taxation. Andrew was formerly Finance Director of First Choice Holidays PLC. He also previously held senior financial positions with Forte Plc and Granada Group PLC and was a partner with Arthur Andersen.

Current external appointments Non-Executive Director of easyJet plc.

Sir James Crosby
Senior Independent Non-Executive Director (Age 56)

Appointment Appointed to the Board in February 2007.

Committee membership Remuneration (Chairman), Audit, Corporate Responsibility and Nomination.

Skills and previous experience Sir James was formerly Fellow of the Faculty of Actuaries, Chairman of Misys plc, Chief Executive of HBOS plc, Deputy Chairman of the Financial Services Authority and a Non-Executive Director of ITV plc.

Current external appointments Chairman of Duncton plc and Trustee of Cancer Research (UK).

John Bason
Non-Executive Director (Age 55)

Appointment Appointed to the Board in June 2011.

Committee membership Audit (Chairman), Corporate Responsibility, Nomination and Remuneration.

Skills and previous experience Member of the Institute of Chartered Accountants. John was previously Finance Director of Bunzl plc.

Current external appointments Finance Director of Associated British Foods plc, Trustee of Voluntary Service Overseas and Deputy Chairman of the charity FareShare.

Susan Murray
Non-Executive Director (Age 55)

Appointment Appointed to the Board in October 2007.

Committee membership Corporate Responsibility (Chairman), Audit, Nomination and Remuneration.

Skills and previous experience Susan is a former Non-Executive Director of Aberdeen Asset Management PLC, SSL International PLC and Wm Morrison Supermarkets PLC, and former Chief Executive of Littlewoods Stores Limited. She is also former Worldwide President and Chief Executive of The Pierre Smirnoff Company, part of Diageo plc, and a former Council Member of the Advertising Standards Authority.

Current external appointments Non-Executive Chairman of Farrow & Ball and a Non-Executive Director of Pernod Ricard S.A., Enterprise Inns Plc and Imperial Tobacco PLC. Fellow of the Royal Society of Arts.

Don Robert
Non-Executive Director (Age 53)

Appointment Appointed to the Board in May 2009.

Committee membership Audit, Corporate Responsibility, Nomination and Remuneration.

Skills and previous experience Don was formerly Chairman of the Consumer Data Industry Association and previously held positions with First American Corporation, Credco, Inc. and US Bancorp.

Current external appointments Chief Executive Officer of Experian plc. He is also a Trustee of the Education and Employers Taskforce.

Sir Ian Robinson
Non-Executive Director (Age 70)

Appointment Appointed to the Board in December 2006.

Committee membership Audit, Corporate Responsibility, Nomination and Remuneration.

Skills and previous experience Sir Ian is a former Chairman of Ladbrokes plc, Hilton Group plc and Amey plc, and a former Chief Executive of Scottish Power plc. He is a former Non-Executive Director of ASDA plc, RMC plc, Scottish & Newcastle plc and Siemens Holdings plc.

Current external appointments Advisory Board Member at Siemens Holdings plc and a Member of the Takeover Panel. Fellow of the Royal Academy of Engineers.

Mark White
General Counsel and Company Secretary (Age 52)

Appointment Joined the Group as General Counsel and Company Secretary in June 2007.

Committee membership Corporate Responsibility. Secretary to Audit, Executive, General Business, Nomination and Remuneration. Mark is also a Trustee of the Compass Pension Plan and the Compass Retirement Income Savings Plan.

Skills and previous experience Mark is a Solicitor. He was previously Group Company Secretary and General Counsel of Wolseley plc and Company Secretary of Enterprise Oil plc and Rotork plc.

Current external appointments None.

Chief Executive's statement

We have a clear, focused strategy that is delivering value and has created a well-balanced and sustainable business model with significant opportunities to deliver continued growth.

Focus on performance

Reported revenue has grown by 6.8%, or 7.9% on a constant currency basis. After adjusting for the impact of acquisitions and disposals, organic growth has remained strong at 5.4%, driven by further good performances in North America and Fast Growing & Emerging.

During the year, we have delivered new business growth of 9%, driven by both increased outsourcing in some parts of the world and further embedding best practices in MAP 1 (client sales and marketing) across Compass. Our retention rate remains high at 94.3%, although we have seen a slight softening in the second half as business closures in Europe have increased.

Like for like revenue growth of 2.1% has been driven primarily by price increases, reflecting the ongoing impact of food cost inflation. We continue to mitigate the impact as far as possible through MAP 3 (cost of food) initiatives such as menu planning and supplier rationalisation. Our contract structures typically enable us to pass on the remaining inflationary pressures. By region, like for like revenue growth has been positive in North America, strong in Fast Growing & Emerging and flat in Europe & Japan.

Like for like volume growth of 0.1% also reflects a mixed picture globally. We saw a positive trend in Fast Growing & Emerging and a flat performance in North America, whilst the difficult economic conditions in Europe & Japan resulted in increasingly negative like for like volume trends through the year. Although like for like volume is driven in part by macro economic conditions, and employment levels in particular, we have retained our focus on the many ways through which we can increase consumer participation and spend through MAP 2 (consumer sales and marketing).

Underlying operating profit increased by 8.8% on a constant currency basis, with the underlying operating profit margin remaining flat at 6.9%. Total constant currency growth of £95 million comprised £64 million from organic growth and a £31 million contribution from acquisitions. We have continued to generate considerable efficiencies through applying the MAP framework, which are both being reinvested in exciting growth opportunities around the world and helping us to manage the effects of difficult economic conditions in Europe.

Strategy

Focus on food

Food remains our core business. The structural opportunity in the outsourced food service market, estimated at £200 billion, is a key growth driver. With an overall penetration rate of less than 50%, it represents a significant opportunity. We believe the benefits of outsourcing will become ever more apparent as economic conditions and legislative changes put increasing pressure on organisations' budgets. Sectors such as Healthcare & Seniors and Education are significantly underpenetrated and Business & Industry, whilst more highly penetrated, is still attractive due to its scale, growth and, in some countries, the fragmented nature of the market. As one of the largest providers in all of our sectors, we are well placed to benefit from these trends.

Growing support and multi services

Support and multi services are a growing part of the business as we continue to win new contracts and expand the range of services we supply to our existing clients. They have grown from just over £1 billion of revenue in 2006 to over £4 billion today, now representing 24% of Group revenue. The largest sector is Defence, Offshore & Remote, although we also see exciting opportunities in Business & Industry, Healthcare & Seniors and Education. This is a complex market and there are significant differences in client buying behaviour across countries, sectors and sub sectors. Our approach is therefore low risk and incremental, with strategies developed on a country by country basis. We will continue to build our capabilities organically, supplemented by infill acquisitions.

Geographic spread and emerging markets

The Group has evolved significantly over the last 10 years from a predominantly European-based business with just over £10 billion of revenue to the nearly £17 billion global business today. Over time, we expect the split of revenue to continue to evolve.

In line with the management changes we announced at our full year results in November 2011, we now operate our business in three segments: North America, Europe & Japan and Fast Growing & Emerging. In simple terms, the constituents of the three segments comprise countries that are at similar stages of development and display similar dynamics.

North America (44% of Group revenue) will remain the principal growth engine for the Group. We have a market leading business, which delivers high levels of growth and steady margin expansion. The outsourcing culture is vibrant and the addressable market is significant. We are well positioned, with a good client base in all of our core sectors, and a strong management team.

The fundamentals of our businesses in Europe & Japan (37% of Group revenue) are solid; however, we expect economic conditions there to remain challenging in the short term. We are therefore introducing measures to reduce cost and make our operations more competitive for the future, building a better business on the good foundations in place. We still see many opportunities to drive growth in revenue and margin.

Fast Growing & Emerging, which now comprises close to 20% of Group revenue, is an increasingly important part of our business. We have a strong presence in key markets such as Australia, Brazil and Turkey, and we are growing rapidly in India and China. With the potential they offer, we are investing in their growth. As the economies of these countries remain buoyant and the trend to outsourcing increases, we would hope to see high levels of growth maintained well into the future.

Organic growth, supplemented by acquisitions

Quality and sustainable organic growth remains our priority but we will look to make infill acquisitions where they deliver value. We seek out small to medium-sized infill acquisitions in food and support services in our existing geographies, bringing on board quality businesses and strong management teams. We also continue to target financial returns ahead of our cost of capital by the end of the second year. From 2008 to 2010, we spent a total of £550 million on acquisitions and, in the second year, we have, on average, achieved this. In the third year, these returns have continued to rise.

Ongoing drive for efficiencies

We remain committed to our relentless focus on generating efficiencies through applying the MAP framework. We believe that we are only part of the way through the journey to drive further productivity in our cost of food (MAP 3) and our in unit costs (MAP 4), as well as being able to leverage the overhead base by controlling our above unit costs (MAP 5). The ongoing generation of efficiencies helps underpin our expectation of further margin progression.

Uses of cash and balance sheet priorities

The Group's cash flow generation remains excellent and it will continue to be a key part of the business model. It enables us to reward Shareholders in parallel with reinvesting for growth and making infill acquisitions. Our commitment to an efficient balance sheet remains strong and we continue to target strong investment grade credit ratings, which we see as Baa1 with Moody's and A- with Standard & Poor's. In light of this, we have announced a further £400 million share buyback programme for the 2013 calendar year. This will follow the current £500 million share buyback, which we expect to complete by the end of the 2012 calendar year. In addition, we remain committed to growing the dividend broadly in line with constant currency earnings and maintaining a cash cover of two times.

Summary and outlook

Compass has had a good year. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have delivered strong organic revenue growth and our operating profit margin in North America has reached 8%. Looking ahead to next year, the pipeline of new contracts is encouraging and we expect to see further good performances in these regions.

We anticipate that economic conditions in Europe will remain challenging, with like for like volume under ongoing pressure. However, our core business remains solid and we are taking action to re-base our business in Southern Europe and ensure we are best placed to capitalise on the many opportunities to drive future revenue and margin growth.

The combination of strong trading in North America and Fast Growing & Emerging, together with the European action plans, underpins our confidence in delivering against 2013 market expectations.

In the longer term, we remain very positive about the opportunities to grow the business and we are well positioned to capitalise on the significant structural growth potential in both food and support services globally. We also expect to generate more cost efficiencies, supporting our belief that we will make further progress in the operating profit margin.

Richard Cousins

Richard Cousins
Group Chief Executive
21 November 2012

>4 Business model

After health and safety, which is our number one operational priority, the greatest day-to-day focus in our business is the quality of our food and service. Consumers are increasingly discerning and we must do a great job for them.

Pr

Culinary expertise sits at the heart of who we are, shaping our wider business development, people skills, buying and marketing activities. We may serve over 4 billion meals a year, but every one has to meet individual tastes. The recipes and menus our award winning chefs create, the high quality ingredients and the skills of our service teams all come together on that lunch plate, in that sandwich, in that cup of coffee or on that tray of canapés. We are committed to serving great tasting, authentic and nutritious food that exceeds the expectations of our consumers. We wouldn't be able to achieve this without our employees. Great people give great service and so we put the development of our people as one of our top priorities, providing opportunities for our employees to develop their potential and abilities.

8

Tonnes of salt taken out of our UK supply chain

Our pledge to the UK Responsibility Deal
Recognising the importance of our role feeding millions of people every day, Compass has signed up to all of the pledges of the UK Government's Responsibility Deal, the only food service company to have done so. The four pledges are introducing calorie labelling, reducing the amount of salt in food, eliminating artificial trans fats and reducing the calories in meals. We have already taken eight tonnes of salt out of the business and we are on track to introduce Guideline Daily Amounts labelling to over 2,000 workplace restaurants.

South African Chefs' Academy
We recognise that in today's world it can be particularly difficult for young adults to enter the workforce and receive the necessary training and skills development to kick-start their careers. Across our business, we offer many apprenticeship opportunities, and a great example is the Chefs' Academy, operated by our South African business for young, unemployed people of all abilities. Every year, more than 55 students join the Academy and, following successful completion of the programme, over 90% of participants are placed in permanent employment. The Chefs' Academy creates a trained talent pipeline in a country battling with a severe skills shortage.

Regional review

Our North America business remains the principal growth engine for the Group. We have a market leading business there, which has delivered excellent levels of growth and steady margin expansion.

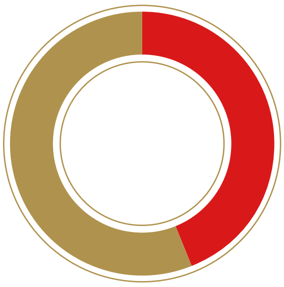
£7,517m
Revenue
(2011: £6,849m)

8.3%
Organic revenue growth
(2011: 7.4%)

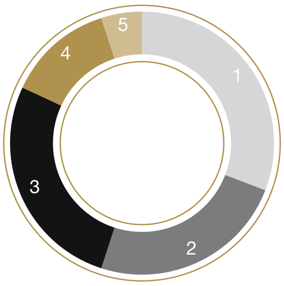
£598m
Operating profit
(2011: £538m)

8.0%
Operating margin
(2011: 7.9%)

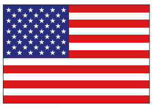
North America



Group revenue
44%
(2011: 43%)



Revenue by sector
1 31% Business & Industry
2 24% Education
3 27% Healthcare & Seniors
4 13% Sports & Leisure
5 5% Defence, Offshore & Remote



Multi service contract with Texas A&M University System

This year, we were honoured to win a 10 year contract to provide a range of food and support services to The Texas A&M University System. It is the sixth largest educational institution in the US, with more than 50,000 students. We will provide the food service, as well as some building maintenance, landscaping and cleaning services as part of the largest outsourcing contract ever awarded in the US higher education sector.

Proud to be green

Continuous commitment to environmental awareness earned Compass Group Canada a spot on Canada's 50 Greenest Employers list for the third consecutive year. From sourcing food locally to using environmentally friendly cleaning products, Canada has been committed to sustainable operations since 2007. Programmes such as Our 360 Sustainability Commitments, Broader Public Sector/Greenbelt Fund initiatives, water conservation, cage-free egg operations, sustainable seafood practices, pollution prevention practices, local food and Fair Trade practices were key contributors to our success.

Our North America business has again delivered an excellent performance, with organic revenue growth of 8.3% and overall revenue of £7.5 billion (2011: £6.8 billion). This has been driven by strong new business wins, including the Ascension Health contract, continued high retention rates and positive like for like revenue growth.

The strong revenue growth has converted through to over 10% operating profit growth and a 10 basis point margin improvement, delivering an 8% operating profit margin for the first time. This was after absorbing the majority of the mobilisation costs for the Ascension Health contract, with the remainder coming through in 2013. Overall, operating profit increased by £53 million on a constant currency basis to £598 million (2011: £545 million).

In Business & Industry, good net new business and slightly positive like for like revenue growth, together with tight control of discretionary spend, have delivered further growth in operating profit. New contract wins include food service contracts with Adobe Systems, where we will serve 4,000 people daily, and IDC Research. We have also retained a food service contract with Wal-Mart and, through our partnership with Jones Lang LaSalle, a contract with Procter & Gamble to provide food services in 15 countries.

The Healthcare & Seniors sector has again delivered strong growth in both revenue and operating profit as we have continued to win contracts through new outsourcing. In addition to Ascension Health, this includes food service contracts for the Cathedral Village+ Retirement Community in Philadelphia, where over a quarter of a million meals are served annually, and Victoria General and Royal Jubilee hospitals in Canada. We have also won a new support services contract with the University of Kentucky Hospital.

Excellent retention rates, new business wins and increased participation have driven good organic revenue growth in the Education sector. As well as the multi service contract we won with Texas A&M University, we have also won the food service contract for the University of Illinois at Chicago, where the enrolment is over 27,000 students, and we have retained the food service contract with Simon Fraser University in Canada. Given the size and longevity of the Texas A&M contract, we will invest some capital expenditure in 2013 to upgrade the existing dining facilities.

Levy, our Sports & Leisure business, delivered good organic revenue growth through high attendance levels during the baseball season. Exciting new contract wins include the recently opened Barclays Center, home of the NBA Brooklyn Nets, and the BBVA Compass Stadium, a soccer-specific stadium in Texas and home of Houston Dynamo.

The ESS business, which provides food and support services in Alaska, Canada and the Gulf of Mexico, continued to deliver solid organic revenue and profit growth.

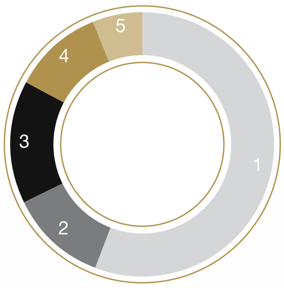
Regional review

Economic conditions in Europe have worsened throughout the year. However, our core business remains solid and we are taking decisive action to ensure we are best placed to capitalise on the medium-term growth opportunities.

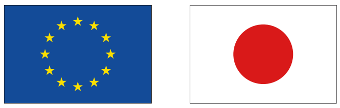
£6,243m	(0.7)%	£397m	6.4%
Revenue (2011: £6,217m)	**Organic revenue growth** (2011: (0.4)%)	**Operating profit** (2011: £400m)	**Operating margin** (2011: 6.4%)

Europe & Japan

Group revenue
37%
(2011: 39%)

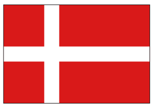


Revenue by sector
1 56% Business & Industry
2 12% Education
3 15% Healthcare & Seniors
4 11% Sports & Leisure
5 6% Defence, Offshore & Remote



Centres for Excellence

We're continuing to roll out our Centres for Excellence ('CFE') programme across the Group, with a number of countries in Europe and Japan opening their first CFE during the year. The CFE initiative is designed to demonstrate what food service providers should strive for, ensuring that consumers won't want to eat elsewhere. It focuses on improving food quality and presentation, controlling food costs, using concepts and promotions and driving purchasing compliance, with very positive feedback from clients and consumers. Started in Business & Industry, we are now establishing them in Education, Healthcare & Seniors and Defence, Offshore & Remote across a range of different sized units.



Innovative cleaning concepts

We continue to show our strong commitment to reducing our negative impact on the environment by continuously developing our service delivery. One example of our successful environmental initiatives is our low impact cleaning method, developed by our business in Denmark. This method ensures minimal dosage of cleaning products, thereby reducing our water consumption. Since 2009, we have achieved an average reduction on cleaning product usage of 7% on total volume, whilst saving an average of 21% on water consumption. All of this cannot be done without the passion and commitment of our people.

Overall, revenue in Europe & Japan totalled £6.2 billion (2011: £6.2 billion). Economic conditions in many parts of Europe, particularly in Southern Europe, have worsened throughout the year. Whilst we have seen good levels of new business, we have experienced a slight decline in organic revenue of 0.7%, as expected. This was due to increasingly negative like for like volume trends in Europe, with the fourth quarter showing minus 2-3%. The challenging conditions have also put some modest pressure on retention and there has been a small increase in business closures. The impact of negative like for like volume has been broadly offset by a relentless focus on efficiencies across all areas of MAP and the recovery in Japan. This, together with the contribution from acquisitions, has enabled operating profit to increase by 2.1% on a constant currency basis to £397 million (2011: £389 million) and the operating profit margin to remain flat at 6.4%.

Encouragingly, we have seen further good levels of new business as organisations recognise the benefits of outsourcing. In the Nordics, we have won a food service contract with Scania; in the Netherlands, we have won a multi service contract across 57 locations with UWV and in France, we have won a contract with Cash Nanterre, a large hospital in the north of Paris. In Spain, we have won a food service contract with Sanitas Group, the leading private healthcare insurance company, and we have extended our multi service contract with Pfizer.

Within like for like volume, we have seen differing trends develop across three sub-regions within Europe. Like for like volume was broadly flat in the Nordics and Germany, negative in the UK and has become more difficult in France. In the Southern European countries of Italy, Spain and Portugal, we have seen like for like volume declines of around 5%.

Trading conditions in Japan have substantially recovered following the earthquake and tsunami of 2011, although the ongoing power shortages continue to affect the supply chain.

We announced on 27 September 2012 that, given the challenging economic environment, we had to act quickly to manage the negative like for like volume impact in the short term and, more importantly, improve our operational efficiency and competitiveness over the medium term. We are doing this in three ways. We have taken immediate action to mitigate the very difficult conditions in Southern Europe, we are reducing our cost base, and we are working to change the fundamental cost structure in the organisation. As a result, we will operate with a lower and more flexible cost base, which will enable us to capitalise on the many opportunities we see for further revenue and margin growth.

As set out in the September announcement, we have incurred a £295 million exceptional charge to the income statement in 2012. £100 million of that relates to the measures to improve the efficiency of our operations, with a further £50 million to come in 2013. Combined, we expect these investments to generate £50 million of annual savings in 2013, increasing to a full run rate of £75 million by 2014, implying a cash payback of around two years. The remaining £195 million relates to further actions we're taking to address the challenging environment mainly in Southern Europe, which will result in a £20 million improvement in profit in 2013 compared to 2012.

Regional review

We have an established presence in many of the world's fast growing markets and we continue to benefit from high rates of organic growth. With the potential these countries offer, we are investing in their growth.

£3,145m
Revenue
(2011: £2,767m)

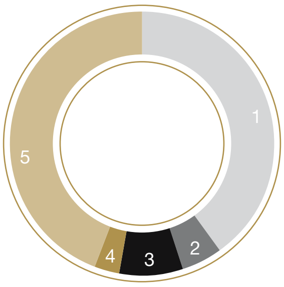
11.8%
Organic revenue growth
(2011: 14.5%)

£235m
Operating profit
(2011: £207m)

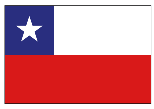
7.5%
Operating margin
(2011: 7.5%)

Fast Growing & Emerging

Group revenue
19%
(2011: 18%)

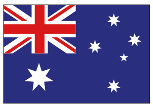


Revenue by sector
1 40% Business & Industry
2 5% Education
3 8% Healthcare & Seniors
4 3% Sports & Leisure
5 44% Defence, Offshore & Remote



Supporting rehabilitation programmes

At Compass, we recognise the importance of charitable activities and supporting our local communities. In partnership with a prison in Chile, our employees are working with teams of social workers, nurses, teachers, psychologists and technicians to deliver training programmes designed to enable inmates to learn new skills and trades. By developing their abilities and behaviours, we help them to resume their place in society whilst encouraging personal rehabilitation.



Compass in Australia

Australia is one of our top five countries by revenue, and we have solid positions in Business & Industry, Healthcare & Seniors and Education. However, our largest operations are in the Defence, Offshore & Remote sector. Our core proposition is to operate the camps or villages that provide transient accommodation for the workforces of our clients who extract oil, gas and other commodities across and just offshore the country. We provide food and living services to their people and maintain the facilities they live in. This year, we have delivered double digit organic revenue growth in Australia and we see plenty of further opportunities.

Excellent organic revenue growth in Fast Growing & Emerging of 11.8% has been delivered through strong new business wins and like for like revenue growth across most countries. The revenue of £3.1 billion (2011: £2.8 billion) now represents close to 20% of Group revenue, and this percentage continues to grow. Operating profit increased by £32 million, or 15.8% on a constant currency basis, to £235 million (2011: £203 million). This includes good contributions from infill acquisitions, in particular Sofra and Obasan in Turkey and Supercare in South Africa. We have continued to invest in the many growth opportunities in the region, including around £10 million in strengthening our teams and processes, and we have maintained the margin at 7.5%.

In Brazil, we have again delivered double digit organic revenue growth as we have continued to benefit from the structural growth opportunity. New business wins include a food service contract at the Mendes Junior Holcim Project in Minas Gerais and we have also retained our food service contract with ThyssenKrupp. Like for like volume in the industrial sector has seen a moderate slowdown in the latter part of the year, however, there is an exciting pipeline and retention levels remain good. Coupled with a drive for further efficiencies, this is providing an excellent platform for future growth in both revenue and operating profit.

The rest of our business in Latin America has also continued to deliver excellent organic revenue growth and good margin progression, reaping the benefits from efficiency programmes in the cost of food, labour and above unit overheads. In Mexico, we have recently extended our contract with Sanofi Aventis to a second site, as well as operating the 16th Pan American Games in Guadalajara, which involved over 6,000 athletes from 42 nations. In Argentina, we have been awarded a new food service contract with Peugeot and a multi service contract with Petrolera L.F. Company S.R.L. In Colombia, the oil and gas sector has experienced rapid growth in recent years and we have been awarded a multi service contract with AngloGold Ashanti Colombia S.A.'s 'La Colosa' Project.

Turkey continues to be one of our most exciting markets and has enjoyed another good year, benefitting from our strengthened capabilities following the acquisition of the remaining 50% of our joint venture Sofra last year and the subsequent acquisition of Obasan. Strong organic revenue growth was driven by high levels of new business and like for like revenue growth. New contract wins include the Universal Hospitals Group, one of the largest private hospital groups in Turkey, where we will be providing food service to 13 hospitals, and support services contracts with Goodyear and British American Tobacco. Excellent margin progression has been generated from synergies and a focus on all cost lines.

In South Africa, the acquisition of Supercare has expanded our capabilities in the support services market, enabling us to offer market leading cleaning services, and it continues to perform well.

In Australia, where the majority of our clients are in the Defence, Offshore & Remote sector, we have delivered strong double digit organic revenue growth. Significant new business wins include multi service contracts with Xstrata Copper, BHP Billiton and Goldfields Australia. We are currently seeing some excellent opportunities in this area and, where it makes sense, we are continuing to invest to support this growth. Where we do this, we generate high returns.

In China, we have won the food service contract with Caterpillar (Suzhou) and, in Hong Kong, we have extended our contract with MTR Corporation and now serve in excess of 4,500 meals a day. In India, we have delivered excellent organic growth, building on the five infill acquisitions we have made over recent years. Significant new business wins include the patient, staff and visitor food service contract at Medanta – The Medicity, one of India's largest private hospitals with over 900 beds, and the food service contract for Daimler India Commercial Vehicles.

Finance Director's statement

Our strong financial performance in the year has seen organic revenue growth of 5.4% and underlying operating profit growth of 8%.

Focus on results

Revenue

Overall, organic revenue growth for the year was 5.4%, comprising new business of 9.0%, a retention rate of 94.3% and like for like growth of 2.1%. Acquisitions less disposals contributed a further 2.5% to deliver 7.9% constant currency revenue growth. The strengthening of Sterling, in particular against the Euro and the Brazilian Real, decreased reported revenue by 1.1%, resulting in reported revenue growth of 6.8%.

12	£16,905m
11	£15,833m
10	£14,468m

Operating profit

Underlying operating profit from continuing operations was £1,178 million (2011: £1,091 million), an increase of 8.0%. On a constant currency basis, underlying operating profit increased by £95 million, an increase of 8.8%. A total of £64 million has been delivered from organic growth and £31 million from acquisitions less disposals. This includes £28 million incremental profit from acquisitions made in the prior year, £16 million from acquisitions made in the year, less £13 million in respect of disposed businesses. Going into 2013, we expect the roll from 2012 acquisitions to be offset by the profit lost on the disposal of the US Corrections business.

Financial summary

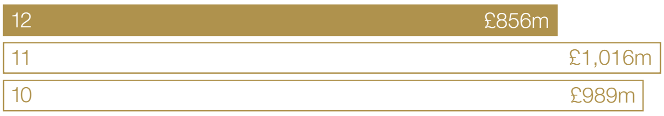
	2012	2011	Increase/ (Decrease)
Continuing operations			
Revenue			
Constant currency	**£16,905m**	£15,668m	7.9%
Reported	**£16,905m**	£15,833m	6.8%
Organic growth	**5.4%**	5.4%	–
Total operating profit			
Constant currency	**£1,178m**	£1,083m	8.8%
Underlying	**£1,178m**	£1,091m	8.0%
Reported	**£856m**	£1,016m	(15.7)%
Operating margin			
Constant currency	**6.9%**	6.9%	–
Underlying	**6.9%**	6.9%	–
Reported	**5.0%**	6.4%	(140)bps
Profit before tax			
Underlying	**£1,093m**	£1,020m	7.2%
Reported	**£789m**	£958m	(17.6)%
Basic earnings per share			
Constant currency	**42.6p**	38.7p	10.1%
Underlying	**42.6p**	39.0p	9.2%
Reported	**32.1p**	36.4p	(11.8)%
Free cash flow			
Underlying	**£760m**	£693m	9.7%
Reported	**£709m**	£693m	2.3%
Total Group including discontinued operations			
Basic earnings per share	**32.1p**	38.5p	(16.6)%
Full year dividend per ordinary share	**21.3p**	19.3p	10.4%

Segmental performance

	Revenue		Revenue growth		
	2012 £m	2011 £m	Reported	Constant currency	Organic
Continuing operations					
North America	**7,517**	6,849	9.8%	8.3%	8.3%
Europe & Japan	**6,243**	6,217	0.4%	2.9%	(0.7)%
Fast Growing & Emerging	**3,145**	2,767	13.7%	18.1%	11.8%
Total	**16,905**	15,833	6.8%	7.9%	5.4%

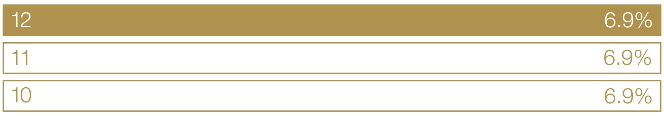
	Total operating profit		Operating margin	
	2012 £m	2011 £m	2012 %	2011 %
Continuing operations				
North America	**598**	538	**8.0%**	7.9%
Europe & Japan	**397**	400	**6.4%**	6.4%
Fast Growing & Emerging	**235**	207	**7.5%**	7.5%
Unallocated overheads	**(60)**	(60)	**–**	–
Excluding associates	**1,170**	1,085	**6.9%**	6.9%
Associates	**8**	6		
Underlying	**1,178**	1,091		
Amortisation of intangibles arising on acquisitions	**(18)**	(12)		
Acquisition transaction costs	**(9)**	(9)		
Adjustment to contingent consideration on acquisition	**–**	1		
European exceptional	**(295)**	–		
UK re-organisation	**–**	(55)		
Total	**856**	1,016		

Operating profit, after the European exceptional cost of £295 million (2011: UK re-organisation costs of £55 million), amortisation of intangibles arising on acquisition of £18 million (2011: £12 million), acquisition transaction costs of £9 million (2011: £9 million) and adjustment to contingent consideration on acquisition of £nil (2011: £1 million credit), was £856 million (2011: £1,016 million).



Operating margin

The underlying operating profit increased by £95 million, or 8.8%, on a constant currency basis. This has resulted in an underlying operating margin of 6.9%, consistent with last year.



North America

44.5% Group revenue (2011: 43.2%)

Our North America business has again delivered an excellent performance, with organic revenue growth of 8.3% and overall revenue of £7.5 billion (2011: £6.8 billion). This has been driven by strong new business wins, including the Ascension Health contract, continued high retention rates and positive like for like revenue growth.

The strong revenue growth has converted through to over 10% operating profit growth and a 10 basis point margin improvement, delivering an 8% operating profit margin for the first time. This was after absorbing the majority of the mobilisation costs for the Ascension Health contract, with the remainder coming through in 2013. Overall, operating profit increased by £53 million on a constant currency basis to £598 million (2011: £545 million).

Europe & Japan

36.9% Group revenue (2011: 39.3%)

Overall, revenue in Europe & Japan totalled £6.2 billion (2011: £6.2 billion). Economic conditions in many parts of Europe, particularly in Southern Europe, have worsened throughout the year. Whilst we have seen good levels of new business, we have experienced a slight decline in organic revenue of 0.7%, as expected. This was due to increasingly negative like for like volume trends in Europe, with the fourth quarter showing minus 2-3%. The challenging conditions have also put some modest pressure on retention and there has been a small increase in business closures. The impact of negative like for like volume has been broadly offset by a relentless focus on efficiencies across all areas of MAP and the recovery in Japan. This, together with the contribution from acquisitions, has enabled operating profit to increase by 2.1% on a constant currency basis to £397 million (2011: £389 million) and the operating profit margin to remain flat at 6.4%.

1 Constant currency restates the prior year results to 2012's average exchange rates.
2 Total operating profit includes share of profit of associates.
3 Underlying operating profit and margin excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, and adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, and gain on remeasurement of joint venture interest on acquisition of control.
4 Operating margin is based on revenue and operating profit excluding share of profit of associates.
5 Underlying net finance cost excludes hedge accounting ineffectiveness and the change in the fair value of investments and non-controlling interest put options.
6 Underlying profit before tax excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, gain on remeasurement of joint venture interest on acquisition of control, hedge accounting ineffectiveness, and the change in fair value of investments and non-controlling interest put options.
7 Underlying basic earnings per share excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, gain on remeasurement of joint venture interest on acquisition of control, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options, the tax attributable to these and exceptional recognition of tax losses.
8 Underlying cash flow adjusts for the £31 million one-off cash outflow in respect of non-recurring historic tax issues and £20 million of European exceptional cash costs in the current year.
9 Organic revenue growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full year in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior year at current year exchange rates) and compares the current year results against the prior year.

Finance Director's statement

Fast Growing & Emerging

18.6% Group revenue (2011: 17.5%)

Excellent organic revenue growth in Fast Growing & Emerging of 11.8% has been delivered through strong new business wins and like for like revenue growth across most countries. The revenue of £3.1 billion (2011: £2.8 billion) now represents close to 20% of Group revenue, and this percentage continues to grow. Operating profit increased by £32 million, or 15.8% on a constant currency basis, to £235 million (2011: £203 million). This includes good contributions from infill acquisitions, in particular Sofra and Obasan in Turkey and Supercare in South Africa. We have continued to invest in the many growth opportunities in the region, including around £10 million in strengthening our teams and processes, and we have maintained the margin at 7.5%.

Regional reviews

Additional information on the performance of each region can be found in the regional reviews on pages 32 to 37.

Unallocated overheads

Unallocated overheads for the year were £60 million (2011: £60 million), reflecting continued good controls over central costs as the business grows.

European exceptional

In 2012, we announced a series of actions to improve the operational efficiency of our businesses in Europe and address the very challenging conditions in Southern Europe. We have taken a £295 million exceptional cost of which £100 million is cash and £195 million predominantly non-cash. Of the £100 million, £20 million has been spent in the year to 30 September 2012. The remaining £195 million mainly relates to restructuring and streamlining our Southern European operations by making provisions for loss making contracts, providing for the non-recovery of certain debts, exiting a small number of non-core businesses, and the consolidation of office space and asset write downs.

Finance costs

The underlying net finance cost was £85 million (2011: £71 million), including a £15 million (2011: £14 million) charge relating to the pension deficit. The increase reflects the additional financing cost relating to the £500 million share buyback and the inefficiency of having raised $1 billion of new debt in the US Private Placement market in September 2011, ahead of the £614 million of debt repayments in May 2012.

For 2013, we expect a similar underlying net finance cost. This includes a charge of around £15 million relating to the pension deficit and the costs of pre-funding the further £400 million share buyback, equating to an effective interest rate of around 4% on gross debt.

Other gains and losses

Other gains and losses include a £6 million cost (2011: £5 million) relating to hedge accounting ineffectiveness, a £1 million credit (2011: £2 million) impact of revaluing investments and non-controlling interest put options and £23 million gain on the disposal of the US Corrections business (2011: £16 million gain on remeasurement of our existing joint venture interest in Turkey following acquisition of control).

Profit before tax

Profit before tax from continuing operations was £789 million (2011: £958 million).

On an underlying basis, profit before tax from continuing operations increased by 7.2% to £1,093 million (2011: £1,020 million).

Income tax expense

Income tax expense from continuing operations was £178 million (2011: £264 million).

On an underlying basis, after removing the impact of the European exceptional cost (benefit of £72 million), the disposal of the US Corrections business (expense of £10 million), the exceptional recognition of tax losses (benefit of £37 million), and the tax effect of other non-underlying items (benefit of £7 million), the tax charge on continuing operations was £284 million (2011: £276 million), equivalent to an effective tax rate of 26% (2011: 27%). The decrease reflects, in part, the fall in a few corporate tax rates around the world. We expect the P&L tax rate to average out around this level in the short to medium term.

Discontinued operations

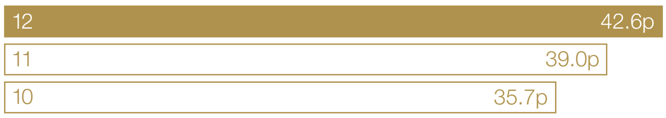
The profit after tax from discontinued operations of £40 million in 2011 principally arose on the release of provisions now deemed surplus (including income tax provisions).

Basic earnings per share

Basic earnings per share, including discontinued operations, were 32.1 pence (2011: 38.5 pence).

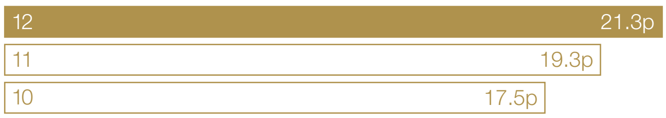
On an underlying basis, excluding discontinued operations, the basic earnings per share from continuing operations were 42.6 pence (2011: 39.0 pence). After adjusting for currency movements, basic earnings per share increased by 10.1%.

	Attributable profit		Basic earnings per share		
	2012 £m	2011 £m	**2012 pence**	2011 pence	Change %
Reported	**605**	728	**32.1**	38.5	(16.6)%
Discontinued operations	**–**	(40)	**–**	(2.1)	–
Other adjustments	**198**	50	**10.5**	2.6	–
Underlying	**803**	738	**42.6**	39.0	9.2%
Currency	**–**	(6)	**–**	(0.3)	–
Constant currency	**803**	732	**42.6**	38.7	10.1%



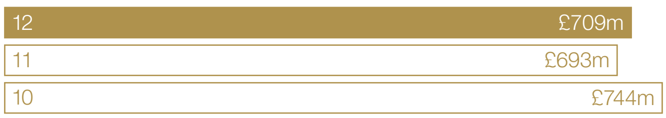
Dividends

It is proposed that a final dividend of 14.1 pence per share will be paid on 25 February 2013 to Shareholders on the register on 25 January 2013. This will result in a total dividend for the year of 21.3 pence per share (2011: 19.3 pence per share), a year on year increase of 10.4%. The dividend is covered over two times on both an underlying earnings basis and free cash basis. We remain committed to growing the dividend in line with constant currency earnings and maintaining this level of cover.



Free cash flow

Free cash flow from continuing operations totalled £709 million (2011: £693 million). In the year, we settled some non-recurring historic tax issues which resulted in a one-off £31 million outflow and we incurred a £20 million outflow in respect of the European exceptional. Adjusting for these, free cash flow would have been £760 million.



Free cash flow from discontinued operations was an outflow of £43 million (2011: £6 million).

Gross capital expenditure of £394 million (2011: £372 million), including amounts purchased by finance lease of £4 million (2011: £2 million), is equivalent to 2.3% of revenues (2011: 2.3% of revenues). Over half of our capital expenditure is put into new business and retention, and where we do that, we deliver returns of over 20% post-tax. Where we see these returns, we will continue to invest, but necessarily we may see some lumpiness in any single year. In 2013, we expect the gross capital expenditure to revenue ratio to be approximately 20 to 30 basis points higher, as we invest in a number of projects, including the Texas

A&M contract. Thereafter, we expect it to return to the historic average of around 2.3%.

Excluding pensions, trade working capital has reduced by £64 million (2011: increase of £21 million). Of this, £33 million relates to the European exceptional, where we believe there is a risk of partial or non-payment of trade receivables. We have put additional controls in place to ensure the quality of new and existing business. Excluding this, the reduction in working capital was £31 million. The worsening trade receivable position in Southern Europe has been more than offset by an advance receipt from a client in Australia.

The cash outflow of £54 million (2011: £42 million) on post-employment benefit obligations largely reflects payments agreed with Trustees to reduce deficits on defined benefit pension schemes. These regular deficit repayments are expected to continue going forward.

The cash tax rate for the year was 21.5% (2011: 20%), based on underlying profit before tax for the continuing operations. The rate was lower than the short to medium-term expected level in the mid-20s, in the main due to the receipt of one or two large refunds in the second half of the year.

The net interest outflow for the year was £82 million (2011: £55 million). This includes £9 million as part of the non-recurring historic tax settlement.

Acquisition payments

Spend on acquisitions in the year, net of cash acquired, totalled £221 million (2011: £426 million). This includes £190 million of infill acquisitions, £9 million on acquisition transaction costs and £22 million of deferred consideration relating to prior year acquisitions.

Since 30 September 2012, we have acquired the trade and assets of Nova Services Group, Inc., a Toronto-based company that provides food and support services to the Business & Industry and Healthcare & Seniors sectors and the trade and assets of Crown Camp Services, an experienced food and support services operator in the oil and gas sector in Colombia, from Crown Catering Services S.A.S.

Disposals

The Group received £58 million in respect of the disposal of the US Corrections business. £3 million was paid in the year in respect of businesses disposed of or discontinued in prior years (2011: £nil) and £21 million tax was paid (2011: £3 million) on profits from sale of subsidiary companies and associated undertakings.

Purchase of own shares

During the year, the Group began the £500 million share buyback programme announced in November 2011. Up to 30 September 2012, £356 million had been spent and the programme remains on track to complete by the end of the calendar year.

Proceeds from issue of share capital

The Group received cash of £30 million in the year (2011: £31 million) from the issue of shares following the exercise of employee share options.

Return on capital employed

Return on capital employed was 18.2% (2011: 18.3%) based on underlying operations, net of tax at the effective underlying rate of 26% (2011: 27%), and excluding the Group's non-controlling partners' share of total operating profit. The average capital employed used is £4,774 million (2011: £4,307 million), which is based on the 12 month average balance sheet, adjusting for the post-employment benefit obligations, net of associated deferred tax, impaired goodwill, amortised intangibles arising on acquisition and the Group's non-controlling partners' share of net assets.

Pensions

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

The Group's total pension fund deficit at 30 September 2012 was £361 million (2011: £292 million). The total pensions charge for defined contribution schemes in the year was £77 million (2011: £58 million) and £32 million (2011: £35 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £15 million charge to net finance cost (2011: £14 million).

The Group has agreed to make an additional £75 million one-off contribution into the UK scheme during the first half of 2013.

Financial position

The ratio of net debt to market capitalisation of £12,680 million as at 30 September 2012 was 8% (2011: 8%).

At the end of the year, net debt was £973 million (2011: £761 million).

At 30 September 2012, the Group had cash reserves of £728 million. In addition, the Group had an undrawn bank facility of approximately £700 million, committed through to 2017.

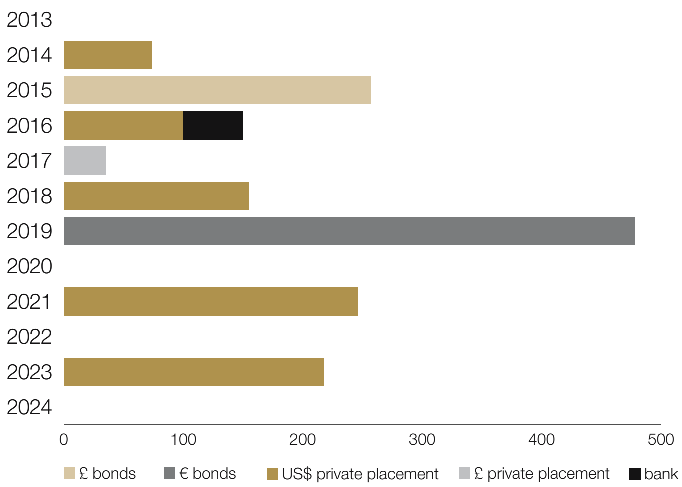
Looking forward, the Group has no significant debt due to be repaid during the 2013 financial year. With strong ongoing free cash flow generation, the Group believes that it is in a solid financial position.

The EBIT to net interest ratio has increased from 5.6 times in 2006 to 13.6 times in 2012 and EBITDA to net interest has increased from 8.2 times to 17.5 times in the same period. This is adjusted where necessary for covenant definitions and includes the share of profits of associates and discontinued operations, but excludes the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness and the change in fair value of non-controlling interest put options. The Group remains committed to maintaining strong investment grade credit ratings. Following the completion of the £500 million share buyback announced in November 2011 and the £400 million share buyback in the calendar year 2013, the Group expects to retain its current credit ratings (A- with Standard & Poor's and Baa1 with Moody's) and an appropriate level of financial flexibility.

Liquidity risk

The Group finances its borrowings from a number of sources including banks, the public markets and the private placement markets. The maturity profile of the Group's principal borrowings at 30 September 2012 shows the average period to maturity is 6.1 years.

Maturity profile of principal borrowings
as at 30 September 2012 (£m)



1 Based on borrowings and facilities in place as at 30 September 2012, maturing in the financial year ending 30 September.
2 The average life of the Group's principal borrowings as at 30 September 2012 is 6.1 years (2011: 4.8 years).

The Group's undrawn committed bank facilities at 30 September 2012 were £700 million (2011: £700 million).

Finance Director's statement

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.

Foreign currency risk

The Group's policy is to match, as far as possible, 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 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 either 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.

Other 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 Company and its Shareholders.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out in the section headed Focus on risk on pages 24 and 25.

Shareholder return

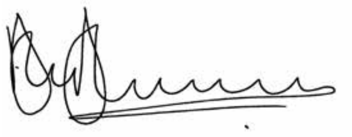
The market price of the Group's ordinary shares at the close of the financial year was 683.5 pence per share (2011: 521.0 pence per share).

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 on pages 4 to 42, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 21 to the consolidated financial statements on pages 99 to 104 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with longer-term contracts with a number of customers 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 despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Dominic Blakemore
Group Finance Director
21 November 2012

Report

Governance

Consolidated financial statements

Parent Company financial statements

Shareholder information

Index to the financial statements

Directors' report

Directors' report

The Directors present their Annual Report and the audited consolidated accounts of the Company and its subsidiaries for the year ended 30 September 2012. The Corporate Governance Report set out on pages 46 to 52 forms part of the Directors' Report.

Principal activities, business model and business review

Compass Group PLC is a holding company; during 2012 its businesses were re-organised into three geographic areas: North America, Europe & Japan and Fast Growing & Emerging, details of which are set out on pages 2 and 3. The principal activities of the Group are the provision of contract food and support services to clients in around 50 countries. Details of the Group's business model and strategy for delivering objectives, development and performance of the Group's businesses during the year and an indication of likely future key performance indicators and information regarding principal risks and uncertainties, are set out together with the information that fulfils the requirements of the business review on pages 4 to 42 and are incorporated into this Report by reference.

Results and dividends

In the year, the Group delivered an increase of 7.2% in Group underlying profit before tax from £1,020 million to £1,093 million and a decrease of 17.6% in Group profit before tax from £958 million to £789 million. An analysis of revenue and operating profit is set out in note 1 to the consolidated financial statements on pages 79 and 80. The acquisition of Crown Camps Services in Colombia was completed on 1 October 2012 and the purchase of the trade and assets of Nova Group Services, Inc. in Canada was completed on 31 October 2012. Acquisitions made subsequent to the year end are discussed in note 35 to the consolidated financial statements on page 120. There have been no further significant post balance sheet events.

The 2012 interim dividend of 7.2 pence per share (2011: 6.5 pence) was paid to Shareholders on 30 July 2012. The Directors recommend a final dividend of 14.1 pence per share (2011: 12.8 pence) making a total dividend for the year of 21.3 pence per ordinary share, an increase of 10.4% on the 19.3 pence paid in respect of last year. Payment of the recommended final dividend, if approved at the Annual General Meeting ('AGM') to be held on 7 February 2013, will be made on 25 February 2013 to Shareholders registered at the close of business on 25 January 2013. The shares will be quoted ex-dividend from 23 January 2013.

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 51 of this Report. The amount of dividends waived during the year ended 30 September 2012 was £42,055 (2011: £54,403).

A dividend reinvestment plan is available to eligible Shareholders. Details can be found on page 131.

Future development

The Group's strategic focus continues to be on the organic development of its existing core businesses together with appropriate infill acquisitions.

Share capital

General

At the date of this Report, 1,844,432,632 ordinary shares of 10 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company sponsors a Level I American Depositary Receipt 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 2012, options were exercised and awards released pursuant to the Company's share option schemes and long-term incentive plans, resulting in the allotment of 11,339,420 new ordinary shares. A further 94,019 new ordinary shares have been allotted 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 certain restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the Listing Rules of the Financial Services Authority, 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.

To view our Annual Report and our Code of Business Conduct go to **www.compass-group.com**

Repurchase of shares

On 23 November 2011, the Company announced its intention to commence a £500 million share repurchase programme, to be executed over the 12-month period to the end of 2012 and the Company anticipates that this programme will be completed by the end of December 2012. During the year ended 30 September 2012 54,409,515 ordinary shares of 10 pence each of the Company (representing 2.93% of the ordinary shares in issue on 1 October 2012) were purchased and subsequently cancelled for a consideration of £361 million (including expenses). From 1 October 2012 to the date of this Report a further 12,475,485 shares of 10 pence each of the Company (representing 0.68% of the ordinary shares in issue on 1 October 2012) were purchased and subsequently cancelled for a consideration of £86 million (including expenses). On 21 November 2012, the Company announced its intention to commence a further £400 million share repurchase programme, to be executed over the 12-month period to the end of December 2013.

At the AGM, a special resolution will be proposed to renew the Directors' limited authority to repurchase ordinary shares in the market, last granted in 2012. The Directors consider it desirable for these general authorisations to be available, in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund infill acquisitions.

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. The Company currently has no shares in treasury.

Issue of shares

At the AGM, the Directors will ask Shareholders to renew the authority last granted to them at the 2012 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 Association of British Insurers ('ABI') Allotment 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 2014, whichever is the sooner.

The limited power granted to the Directors at last year's AGM to allot equity shares for cash other than pro rata to existing Shareholders expires no later than 6 May 2014. Subject to the terms of the section 551 authority, the Directors recommend that this authority should be renewed. If granted, this authority will give the Directors the ability (until the AGM to be held in 2014) 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 calculated at the latest practicable date prior to the publication of the Notice of AGM. 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 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 issues of new shares made during the year, together with details of options granted over unissued capital, are set out in note 25 to the consolidated financial statements on pages 111 to 112.

Substantial shareholdings

The following major shareholdings have been notified to the Company as at 30 September 2012.

	% of issued capital	% of Compass Group PLC's voting rights
BlackRock, Inc.	10.98	10.98
Massachusetts Financial Services Company	5.00	5.00

BlackRock, Inc. subsequently notified that its interest in the issued capital and voting rights of the Company was 10.01% as at 30 October 2012. Since 30 September 2012, no other such notification from any other Shareholder has been received.

Directors

Particulars of the Directors in office at the date of this Report are listed on pages 26 and 27. Dominic Blakemore was appointed as a Director on 27 February 2012. In accordance with the UK Corporate Governance Code, with the exception of Dominic Blakemore who will submit himself for election in line with the provisions of the Company's Articles of Association, each Director will retire and submit him or herself for re-election at the AGM on 7 February 2013.

Directors' interests in shares

Details of the Directors' shareholdings in the Company as at 30 September 2012 and any changes since that date to the date of this Report may be found in the Directors' Remuneration Report on page 64.

Corporate governance

UK Corporate Governance Code compliance

The Board is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code ('the Code'). The Board is accountable to the Company's Shareholders for good governance and this Report, together with the Directors' Remuneration Report set out on pages 53 to 65, describes how the Board has applied the main principles of good governance set out in the Code during the year under review. It is the Board's view that the Company has been fully compliant with the provisions of the Code in force during the year to 30 September 2012.

The Board

As at 30 September 2012 and as at the date of this Report, the Board of Directors was made up of ten members, comprising the Chairman, four Executive Directors and five Non-Executive Directors. Dominic Blakemore was appointed as an Executive Director of the Company on 27 February 2012 and succeeded Andrew Martin as Group Finance Director on 2 April 2012.

Mr Martin became Group Chief Operating Officer for Europe & Japan on 2 April 2012. On the same date, Gary Green became Group Chief Operating Officer, North America, with Richard Cousins continuing to be responsible for the Fast Growing & Emerging countries.

All of the Non-Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-Executive Directors brings their own senior level of experience, gained in each of their own fields, mainly in international operations.

Biographical details of the Directors currently in office are shown on pages 26 and 27. 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 on pages 61 and 64.

The Board meets regularly during the year as well as on an ad hoc basis, as required by business need. The Board met eight times during the year and Director attendance for each meeting is shown in the table on page 47. Each Director also attends the AGM to answer shareholder questions.

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) and 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 has a formal schedule of matters reserved for its decision, although its primary role is to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole. In addition, 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 may delegate any of its powers to any Committee consisting of one or more Directors.

The Board has delegated day-to-day operational decisions to the Executive Committee referred to on page 48.

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 General Counsel and Company Secretary, who is charged with ensuring that Board procedures are followed and that good corporate governance and compliance is implemented throughout the Group. Together with the Group Chief Executive and the 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 at times 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 issued 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.

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

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. The appointment of Dominic Blakemore during the year further strengthens the existing capability of the Board.

A performance evaluation of the Board and of its Committees is carried out annually 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.

Having conducted its evaluation, it is the view of the Board that each of the Non-Executive Directors brings considerable management experience and an independent perspective to the Board's discussions and they are considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgment.

In view of Board changes and the refinement of the Group's operating and reporting regions during the year and in order to allow such changes to bed in, an independent formal external evaluation will be carried out during the year ending 30 September 2013 in accordance with the provisions of the Code.

Meetings between the Non-Executive Directors, both with and without the presence of the Group Chief Executive, are scheduled in the Board's annual programme. Board meetings are also regularly held at Group business locations to help all Board members to gain a deeper understanding of the business. This also provides senior managers from across the Group with the opportunity to present to the Board as well as to meet the Directors on more informal occasions.

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 the Board's approval and the Board monitors the extent of Directors' other interests to ensure that its effectiveness is not compromised.

Each Director has a duty under the Companies Act 2006 ('the 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 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 take the relevant decision, and in taking 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 2012 Board meeting.

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 for a further three years. It is Board policy that Non-Executive Director appointments should last for no more than nine years.

A formal, comprehensive and tailored induction is given to all Non-Executive Directors following their appointment, including visits to key locations within the Group and meetings with members of the Executive Committee 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.

Sir James Crosby is the Company's Senior Independent Non-Executive Director. His role includes providing a sounding board for the Chairman and acting as an intermediary for the Non-Executive Directors, where necessary. The Board believes that Sir James continues to have the appropriate experience, knowledge and independence to continue in this role.

The Chairman ensures that the Board maintains an appropriate dialogue with Shareholders. 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.

Committees of the Board

The Board has established a number of committees and the formal Terms of Reference for the principal Committees, approved by the Board and complying with the Code, to assist in the discharge of its duties, are available from the General Counsel and Company Secretary and can also be found on the Company's website at www.compass-group.com. Their Terms of Reference are reviewed annually and updated where necessary. Membership and details of the principal Committees are shown on pages 47 to 49. The General Counsel and Company Secretary acts as Secretary to all Board Committees.

Meetings attendance

The following table shows the attendance of Directors in office at 30 September 2012 at meetings of the Board, Audit, Corporate Responsibility ('CR'), Nomination and Remuneration Committees during the year to 30 September 2012:

Name	Board Attendance	Audit Committee Attendance	CR Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance
John Bason	8 of 8	4 of 4	2 of 2	2 of 2	4 of 4
Dominic Blakemore[1]	5 of 5	–	1 of 1	–	–
Richard Cousins	8 of 8	–	2 of 2	2 of 2	–
Sir James Crosby	8 of 8	3 of 4	2 of 2	2 of 2	4 of 4
Sir Roy Gardner	8 of 8	–	2 of 2	2 of 2	–
Gary Green	8 of 8	–	–	–	–
Andrew Martin[2]	8 of 8	–	1 of 1	–	–
Susan Murray	8 of 8	4 of 4	1 of 2	2 of 2	4 of 4
Don Robert	8 of 8	4 of 4	2 of 2	2 of 2	4 of 4
Sir Ian Robinson	8 of 8	4 of 4	2 of 2	2 of 2	4 of 4

1 Dominic Blakemore was appointed to the Board on 27 February 2012.
2 Andrew Martin ceased to be a member of the CR Committee on 2 April 2012.

The table shows the number of meetings attended out of the number of meetings which each Director was eligible to attend. Directors who are not members of individual Board Committees have also been invited to attend one or more meetings of those Committees during the year.

There were two occasions where a Director was unable to attend a meeting. In one instance this was as a result of a long-standing commitment and in the other, this was due to circumstances beyond the Director's control.

Nomination Committee

The Nomination Committee comprises Sir Roy Gardner (Chairman), Richard Cousins and all of the Non-Executive Directors in office at the date of this Report.

The Nomination Committee meets on an as needed basis. The Committee met twice during the year and Members' attendance is set out in the table above.

During the year the Nomination Committee reviewed the structure, size and composition of the Board and its Committees and made recommendations 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 assessed 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 Company adopts a formal, rigorous and transparent procedure for the appointment of new Directors and Senior Executives with due regard to diversity and gender. Prior to making an appointment, the Committee will evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in the light of this evaluation, will prepare a description of the role and capabilities required, with a view to appointing the best placed individual for the role.

Corporate governance

In identifying suitable candidates, the Committee:

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

The Nomination Committee retained independent external search consultants in respect of the most recent appointments to the Board, being those of John Bason and Dominic Blakemore, and will do so in the future, as appropriate. The Nomination Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace. The Nomination Committee also advises the Board on succession planning for Executive Director appointments although the Board itself is responsible for succession generally.

Remuneration Committee

The Remuneration Committee comprises Sir James Crosby (Chairman) and all of the other Non-Executive Directors in office at the date of this Report. The Committee met four times during the year and Directors' attendance can be found in the table on page 47.

The Remuneration Committee is responsible for making recommendations on remuneration to the Board. The Directors' Remuneration Report is set out on pages 53 to 65. The Chairman of the Remuneration Committee attends the AGM to respond to any shareholder questions that might be raised on the Remuneration Committee's activities.

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.

Corporate Responsibility Committee

The Corporate Responsibility Committee comprises Susan Murray (Chairman), Sir Roy Gardner, Dominic Blakemore, Richard Cousins, Mark White (General Counsel and Company Secretary), Jane Kingston (Group Human Resources Director) and all of the Non-Executive Directors in office at the date of this Report. Andrew Martin ceased to be a Member of this Committee on 2 April 2012 and Dominic Blakemore became a Member on 27 February 2012, when he was appointed to the Board.

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

The Committee met twice during the year and Members' attendance is shown in the table on page 47.

Disclosure Committee

At the date of this Report the Disclosure Committee comprises Dominic Blakemore, Mark White, the Head of Financial Reporting and Control and the Director of Corporate Strategy, Media and Investor Relations, and meets as required to deal with all matters relating to public announcements of the Company and the Company's obligations under the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority.

Executive Committee

The Executive Committee is the key management committee and comprises the Executive Directors of the Company, General Counsel and Company Secretary, Group Human Resources Director and Group Managing Directors. The Committee meets regularly and is responsible for developing the Group's strategy and capital expenditure and investment budgets and reporting on these areas to the Board for approval, implementing Group policy, monitoring financial, operational and customer quality of service performance, health and safety, purchasing and supply chain issues, succession planning and day-to-day management of the Group.

Audit Committee

The Audit Committee comprises all of the Non-Executive Directors in office at the date of this Report. Members of the Audit Committee ('the Committee') are appointed by the Board following recommendations by the Nomination Committee and the Committee's membership is reviewed by the Nomination Committee and as part of the annual Board performance evaluation.

Each member of the Committee brings relevant senior level financial experience. The expertise and experience of the members of the Committee are summarised on pages 26 and 27. The Board considers that each member of the Committee is independent within the definition set out in the Code. The Committee's Chairman, John Bason, is considered by the Board to have significant, recent and relevant financial experience as Finance Director of Associated British Foods plc.

All members of the Committee receive an appropriate induction, which includes an overview of the business, its financial dynamics and risks. 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 judgment in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Committee undertake ongoing training as required.

The Committee meets regularly throughout the year and its agenda is linked to events in the Company's financial calendar. Each member of the Committee may require reports on matters of interest in addition to the regular items. The Committee met four times during the year and Members' attendance at the meetings is set out in the table on page 47.

The Committee invites the Group Chairman, the Group Chief Executive, the Group Finance Director, the Head of Financial Reporting and Control and the Director of Group Internal Audit, together with senior representatives of the external Auditor, to attend each meeting although, from time to time, it reserves time for discussions without invitees being present. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

The Chairman of the Audit Committee attends the AGM to respond to any Shareholder questions that might be raised on its activities. The remuneration of the members of the Committee and the policy with regard to the remuneration of the Non-Executive Directors are set out on page 64.

The Committee assists the Board to fulfil its responsibilities related to external financial reporting and associated announcements.

During the year, the Audit Committee evaluated, reviewed and monitored the following:

- the interim and annual financial statements
- the interim and annual results' announcements made to the London Stock Exchange
- significant accounting issues including the consideration of any goodwill impairment assessments
- operation of the Group's Speak Up whistle-blowing policy
- the Group's internal audit function and approval of the internal audit plan
- the effectiveness of the external audit process
- objectivity, terms and fees of the external Auditor
- scope of audit and non-audit services provided by the external Auditor
- litigation and contingent liabilities
- tax matters, including compliance with statutory tax reporting obligations

The Committee is also 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 Committee 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 Committee also reviews 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; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgments; 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 Committee also ensures that key partners within the external Auditor are rotated from time to time in accordance with applicable UK rules. The 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 their objectivity or independence. In this respect the Committee has agreed that, unless there is no other competent and available provider, the external Auditor should be excluded from providing the Company with general consultancy and all other non-audit and non-tax related services. Engagements for non-audit services that are not prohibited are subject to formal approval by the 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 undertakes some due diligence reviews and provides assistance on tax matters, given its in-depth knowledge of the Group's business, although assistance on these matters is also obtained from other firms. 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 approved by the Audit Committee during the year ended 30 September 2012 comprised the provision of assistance on tax matters, IT consultancy services and due diligence advice in respect of potential acquisitions.

Deloitte LLP was appointed as Auditor to the Company on its incorporation, and is subject to annual reappointment by Shareholders. To ensure objectivity, key members of the audit team rotate off the Company's audit with the lead audit partner expected to next rotate in 2013. During the year, the Committee reviewed Deloitte LLP's fees, effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The Committee also considered its robustness and the degree to which Deloitte LLP was able to assess key accounting and audit judgments and the content of the management letter.

The Committee concluded that the audit was effective and that the relationship and effectiveness of the external Auditor be kept under review. Deloitte LLP also audits significant subsidiaries of the Group.

The total fees paid to Deloitte LLP in the year ended 30 September 2012 were £6.8 million (2011: £6.9 million) of which £2.4 million (2011: £3.0 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 30 September 2012 can be found in note 2 to the consolidated financial statements on page 83.

During the year, preliminary consideration was given to the potential impact of the proposed requirement by the UK Financial Reporting Council ('the FRC') and the European Union/Commission ('the Commission') to mandatorily retender auditors and to the provision of non-audit services by the Auditor.

Whilst continuing to monitor the proposed changes by the Commission in respect of auditor services and retendering, the Committee has recognised the changes made by the FRC from 1 October 2012 (including their proposed transitional guidelines issued just before the end of the financial year in September 2012) and currently intends to retender the audit during the financial year ending 30 September 2014.

The 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 Committee reviewed the internal audit function's plans and its achievements against those plans. The Committee considered the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to matters raised, including the time taken to resolve any such matters.

The Committee also reviews the integrity of material financial statements made by the Company. The Committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices and compliance 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.

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 now incorporated within the Group's Code of Business Conduct which was launched in 40 languages during 2011 and is available on the Company's website) 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 Committee, and Speak Up is a standard review item on all internal work programmes. Copies of the Codes of Business Conduct and Ethics are available on the Company's website at www.compass-group.com. The Committee also receives regular updates on bribery and fraud trends and activity in the business, if any, at least twice each year with individual updates being given to the Committee, as needed, in more serious cases of alleged bribery, fraud or related activities. The Group's anti-fraud policies are a subset of the Code of Business Conduct which does not tolerate any activity involving fraud, dishonesty or deception. These policies, for which the Committee retains overall

Corporate governance

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 Committee. Reporting of these matters to the Committee is managed and overseen by internal audit. The Speak Up policy operates when the complaint is received through the whistle-blowing 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 Committee itself.

Each year the Committee reviews critically its own performance and considers where improvements can be made.

Internal audit

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 to KPMG LLP as appropriate. The Audit Committee reviews internal audit reports and considers the effectiveness of the function.

Internal control

In a highly decentralised 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 the Group's systems of internal control and for reviewing the effectiveness of those controls. In accordance with the guidance set out in the Turnbull Report, 'Internal Control: Guidance for Directors on the Combined Code', 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 24 and 25. 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 have been presented to senior management (including to the Executive Committee) and to the Board. These processes have been in place throughout the financial year ended 30 September 2012 and have continued to the date of this Report. 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 Committee. 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 and the external 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 and business level through the Group's Management and Performance ('MAP') framework and monthly monitoring of performance by comparison with budgets, forecasts and cash targets and by regular visits to Group businesses by the Group Chief Executive and the Group Finance Director.

This is underpinned by a formal major risk assessment process which is an integral part of the annual business cycle. Each of the Group's businesses is required to identify and document major risks facing their business and appropriate mitigating activities and controls, and monitor and report to the 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 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 approval of client contracts, capital investment and acquisition projects, with clearly designated levels of authority, supported by post investment review processes for selected acquisitions 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. 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. The Report of the Audit Committee is set out on pages 48 to 50 and the Audit Committee members meet regularly with the Director of Group Internal Audit and the external Auditor 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 2012 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

Recruitment of former audit staff

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.

Appointment of Auditor

Deloitte LLP has expressed its willingness to continue as Auditor of the Company. Separate Resolutions proposing its reappointment and determination of its remuneration will be proposed at the 2013 AGM. The Directors confirm that, so far as they are each aware, there is no relevant audit information of which Deloitte LLP 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 Deloitte LLP is aware of that information.

Compliance statement

The Company applied all of the principles set out in the Code for the period under review and has, throughout the year, complied with the detailed provisions set out therein.

The Company's Auditor, Deloitte 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 Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance. No such report has been made.

Communication with shareholders

The Company places considerable importance on communication with its Shareholders, including its private Shareholders. The Group Chief Executive 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 Chief Executive and the Group Finance Director as well as by the Chairman (who remains in contact with the ten largest Shareholders) and are discussed at its meetings.

There is regular dialogue with institutional Shareholders and this has been extended to include private Shareholders through the AGM and meetings with the United Kingdom Shareholders' Association. Contact with institutional Shareholders (and with financial analysts, brokers and the media) is controlled by written guidelines to ensure the 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 communication with Shareholders is by electronic means, helping to make the Company more environmentally friendly by reducing waste and pollution associated with the printing and posting of its Annual Report. The Annual Report and Accounts are available to all Shareholders and can be accessed via the Company's website at 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 trading updates, interim management statements, interviews and presentations by the Group Chief Executive and Group Finance Director.

The Notice of AGM 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 shortly after the meeting.

Donations

The Company's Corporate Responsibility Report is set out on pages 16 to 19. The Group's charitable donations in 2012 totalled £6.2 million (2011: £5.9 million).

Charitable objectives support the Company's corporate responsibility strategy and have primarily focused on improving the environment, education, health and wellness, community engagement and responsible business practice. Donations have included employee involvement through fundraising and financial support.

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 £125,000 per annum. 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. The Directors, however, propose to renew the authority granted in 2012 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) of not more than £125,000 in total 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.

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 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 incentive plans are set out in the Directors' Remuneration Report on pages 53 to 65. The Trustees of the ESOP, LTIPT and CGET hold 180,266 (2011: 251,332), 17,209 (2011: 17,209) and nil (2011: nil) ordinary shares of the Company respectively.

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 share incentive plans in Australia. No ordinary shares are held by these Trusts as at 30 September 2012 (2011: nil).

Awards under employee share schemes

Details of awards made during the year and held by Executive Directors as at 30 September 2012 are set out in the Directors' Remuneration Report on pages 53 to 65.

Details of employee share schemes, grants made during the year ended 30 September 2012 to, and extant awards held by, employees are disclosed in note 25 to the consolidated financial statements on page 111.

Corporate governance

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. Throughout the year under review, those Group businesses in the European Economic Area were able to have representation on the Compass European Council, which has been in operation since 1996, and provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues.

Permanent UK employees are usually invited to join the Company's defined contribution scheme, Compass Retirement Income Savings Plan ('CRISP'), or the Company's stakeholder pension arrangement. CRISP has a corporate Trustee. The Chairman, Tony Allen, is independent. The other five Trustee Directors are UK-based employees of the Group, two of whom have been nominated by CRISP members. As at the date of this Report, a position for a further one member-nominated position is vacant.

However, those UK employees who transfer from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006 are eligible to join the Compass Group Pension Plan ('the Plan'), a defined benefit pension arrangement which is otherwise closed to new entrants. The Plan also has a corporate Trustee. The Chairman, Peter Morriss, and one other Trustee are independent. 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 became subject to the Pensions Automatic Enrolment Regulations for its workforce in the UK on 1 November 2012, but in accordance with the Regulations, has deferred its staging date for automatic enrolment of eligible employees to start from 2 January 2013 so as to ensure that adequate systems are in place and employees are not impacted over the Christmas period. Both the Compass Group Pension Plan and CRISP are compliant arrangements under these Regulations and will be registered as such.

Employees who are not already in one of these registered compliant arrangements will be automatically enrolled into the National Employment Savings Trust ('NEST'). The decision to appoint NEST as the Company's partner for automatic enrolment was made following a comprehensive selection process and the Company considers that NEST will provide the right type of service, communication material and investment choice for UK employees and that it has the capabilities to support a company as large and diverse as Compass Group.

Permanent employees outside of the UK are usually offered membership of local pension arrangements if and where they exist or limited global arrangements 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 is of prime importance. Employment of disabled people is considered on merit with regard only to the ability of any applicant to carry out the role. Arrangements to enable disabled people 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.

Creditor payment policy

All Group companies are responsible for establishing terms and conditions with their suppliers and it is Group policy that payments are made within such agreed terms and conditions. The amount of trade creditors for the Group as at 30 September 2012 was equivalent to 67 days (2011: 69 days) of trade purchases.

Shareholder services

Details of services provided to Shareholders can be found in the General Shareholder Information section on pages 131 and 132 of the Annual Report or on the Company's website.

CREST

The Company's ordinary shares and Sterling Eurobonds are in CREST, the settlement system for stocks and shares.

AGM

The Notice of Meeting setting out the Resolutions to be proposed at the AGM to be held on 7 February 2013, together with explanatory notes, is set out on pages 133 to 139 of this Annual Report and is also available on the Company's website at 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

Mark J White
General Counsel and Company Secretary
21 November 2012

Compass Group PLC
Registered in England and Wales No. 4083914

Directors' Remuneration Report

Introduction

On behalf of your Board, I am pleased to present our Remuneration Report for the year ended 30 September 2012. Shareholders will be invited to approve the Report at the Company's Annual General Meeting ('the AGM') on 7 February 2013.

Focus on transparency

The Company has always sought to be transparent in remuneration reporting. Mindful of the Government's proposed regulations in respect of Executive remuneration reporting, this year's Report has been refined to include additional disclosures to make the Report easier to understand and to eliminate duplication of information that may be found in other sections of the Annual Report and Accounts.

The Report is split into two sections and covers the following matters:

- the Company's Executive remuneration strategy and policy for the year ended 30 September 2012 and the intended policy for the year ending 30 September 2013, including each of the components of Directors' remuneration
- how the policy has been implemented in the year ended 30 September 2012

Perspective

In retrospect and looking ahead, the Company's remuneration policy has been and will continue to be uncomplicated, performance related and retention focused.

Remuneration packages reflect the responsibility and contribution of the individual and ensure that the Company is able to attract, retain and motivate the best people in a competitive marketplace. In return, Executive Directors are expected to demonstrate responsibility, commitment and leadership. The Company's policy is structured so that Executive Directors are fairly rewarded and well paid, but not overpaid. The aim is to keep reward at or around median in line with appropriate benchmarks for the markets in which Compass operates.

Our objective is to ensure that there is stability in our remuneration policy. This has remained fundamentally unchanged since last year and it is not envisaged that the remuneration elements for Executive Directors for the year ending 30 September 2013 will be substantially different to those in place for the financial year ended 30 September 2012.

Long Term Incentive Plan ('LTIP')

The operation of each of the individual remuneration components is reviewed regularly to ensure they are aligned to the strategic direction of the business and reward the delivery and achievement of that objective. Following a strategy review and subsequent extensive consultation with Shareholder bodies and a number of our large institutional investors, the Committee determined that a change to the performance measures under the LTIP was required to respond to the Company's renewed focus on growth and the delivery of strong Shareholder returns. This is the first proposed change in performance measures since 2006.

There are two areas of business performance which are considered to be key to the delivery of our strategy and against which the Committee wants to ensure that Executive Directors are incentivised and rewarded:

- the generation of cash
- the reinvestment of cash in the business

The Company's share price has performed well over the last six years, delivering on average 20% growth per annum in the period from 2007-2012. During the same period, our focus has been on creating a sustainable business base for the future and driving growth at the same time as improving margins, whilst exiting non-core markets and businesses and delivering improving rewards for our Shareholders. The strategic review identified that the Company is now entering a different phase in its development with the transition from turnaround to sustained and consistent performance delivery with sensible margin progression. Our long-term incentive arrangements therefore need to be adjusted to reflect this change.

Going forward, we believe that the alignment of reward with these key elements of business performance will be achieved over the long term through the introduction of Return on Capital Employed ('ROCE') as an additional performance measure under the LTIP. The generation of cash remains fundamental to the ongoing success of the Group and therefore it is proposed that Group Free Cash Flow ('GFCF') be maintained as a performance measure, along with Total Shareholder Return ('TSR').

The Committee considers that the introduction of ROCE, weighted as to performance at one third of each Award, together with reduced weightings for both GFCF and TSR from one half to one third, will ensure strong alignment between reward and the long-term interests of Shareholders. The Committee believes that ROCE will deliver a more rigorous focus by Executives on the quality of the return on investment in either existing businesses or new business opportunities which is a key element in ensuring the development of strong businesses over the long term.

It is recommended that TSR be continued as an LTIP performance measure going forward, albeit that its weighting will be reduced to one third of each Award. TSR, used in combination with ROCE and GFCF, will provide an overall assessment of sustained performance, whilst keeping alignment with Shareholders' interests.

In order to ensure the continued alignment between Executive Directors' and Shareholders' interests, in determining final vesting under the LTIP, the Committee will continue to review the underlying financial performance of the Company at the end of each performance period and retain its discretion to adjust vesting if it considers that financial performance is unsatisfactory.

Approval will be sought from Shareholders at the AGM for the change in performance measures for the LTIP. Subject to Shareholder approval, we will move from a 50% TSR / 50% GFCF weighting to GFCF, ROCE and TSR targets, each carrying an equal weighting of one third of an Award.

Engagement

The voting outcome at the 3 February 2012 AGM in respect of the Directors' Remuneration Report for the year ended 30 September 2011 is set out on page 65 and reflected very strong individual and institutional Shareholder support of the Company's remuneration policy and its implementation.

The Committee will continue to be mindful of the concerns of Shareholders and other stakeholders, and welcomes Shareholder feedback on any issue related to Executive remuneration.

In conclusion, we believe that our remuneration policy continues to be aligned with our strategic goal of delivering Shareholder value.

Sir James Crosby
Chairman of the Remuneration Committee

Directors' Remuneration Report

This Report has been prepared on behalf of the Board by the Remuneration Committee ('the Committee') in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 issued pursuant to the Companies Act 2006 ('the CA 2006'). The Company has also chosen to adopt some of the proposed regulations under the draft Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ahead of the legislation becoming effective.

With the exception of the annual performance related award, service agreement details, shareholdings and external directorships of Directors, Total Shareholder Return graphs, details of advice provided to the Committee, disclosure of remuneration of other Senior Executives and statement of Shareholder voting, the information set out on pages 53 to 65 of this Directors' Remuneration Report represents the auditable disclosures referred to in the Auditor's Report on page 67 as specified by the UK Listing Authority and the regulations current at the date of this Report.

Remuneration policy

Role of the 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 Committee, which comprises the Executive Directors and other Senior Executives. The Committee ensures that the members of the Executive Committee are provided with the appropriate incentives to enhance the Group's performance and to reward them for 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 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.

Membership of the Committee

The Committee consists entirely of independent Non-Executive Directors, as defined in the UK Corporate Governance Code ('the Code'). During the year the Committee comprised the following Non-Executive Directors:

Sir James Crosby
(Chairman, Senior Independent Non-Executive Director)
John Bason
Susan Murray
Don Robert
Sir Ian Robinson

Biographical details of the current members of the Committee are set out on pages 26 and 27. The General Counsel and Company Secretary acts as the Secretary to the Committee. The Committee met on four occasions during the year and attendance details are shown in the table on page 47.

Details of advisors to the Committee can be found on page 65.

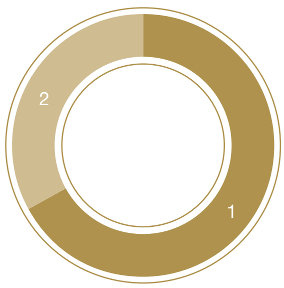
Summary of activity during the year

During the year, the Committee conducted its annual review of remuneration philosophy and reviewed the Company's remuneration practice to ensure that the overall remuneration structure continues to promote the Company's business strategy.

Each year the Committee reviews the ongoing remuneration philosophy and trends for all employees across the Group. The Chairman's pay and benefits and the Executive Directors' reward packages were reviewed. The performance targets of the Company's bonus and share incentive plans were considered and Shareholder approval will be sought at the AGM on 7 February 2013 to amend the performance targets under the LTIP. Further details of the proposed amendments are shown on page 62. The Committee also considered the headroom available in issued share capital before the making of share plan awards, approved the vesting of awards, considered the extent to which the Directors had complied with the Company's Shareholding Guidelines (as set out on page 64), considered developments in best practice and engaged with Shareholder representatives and advisory bodies.

The proportion of time spent by the Committee on key items during the year ended 30 September 2012 is summarised in the chart below:

Agenda activity



1 67% Regular items
2 33% Other items

Remuneration strategy and policy

Remuneration policy and components

The Committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's business objectives, is in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

The Committee intends that base salary and total remuneration of Executive Directors should be in line with the market. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for each element of remuneration at par performance levels. The Committee also 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 Committee. Save for a promotional increase awarded to Andrew Martin in respect of his new role, percentage increases to basic salary awards for Executive Directors and other members of the Executive Committee during the year ended 30 September 2012 were in line with those awarded to other employees in the Group working in the same country in that period.

The total remuneration package 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, such that 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) and appropriate external comparator groups.

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

Elements of package

The key elements of Executive Directors' remuneration for the year ended 30 September 2012 and the year ending 30 September 2013 are summarised below:

Element	Reason	Mechanics
Base Salary	The provision of a competitive core package of base salary and other benefits enables the Company to attract and retain skilled, high calibre Executives to deliver its strategy.	Base salaries are reviewed annually, appropriately benchmarked and reflect the role, job size and responsibility as well as performance and effectiveness of the individual. The Group Chief Executive's base salary is reviewed annually by the Committee with any increase taking effect on 1 July of each year. Other Executive Directors' base salaries are subject to an annual review with any increases taking effect on 1 January of each year. Pay awards for Senior Executives take account of prevailing market and economic conditions, governance trends and the approach to employee pay throughout the organisation. For example, in the year ended 30 September 2012, the UK-based Executive Directors received percentage increases in line with the average UK-wide pay review, outside of those set by collective bargaining arrangements.

The annual base salaries of the Executive Directors for the year ended 30 September 2012 were:

Director	Base Salary	Effective Date	Increase
Dominic Blakemore	£480,000	27 February 2012	N/A
Richard Cousins	£965,500	1 July 2012	2.99%
Gary Green	US$1,170,080	1 January 2012	3.00%
Andrew Martin	£650,000	2 April 2012	Andrew Martin received a 2.00% increase effective 1 January 2012. On 2 April 2012 he was appointed as Group Chief Operating Officer – Europe & Japan, for which he received an additional increase equal to 12.28% to reflect the change in his role and responsibilities.

Directors' Remuneration Report

Element	Reason	Mechanics
Benefits	Benefits are offered to Executive Directors as part of a competitive remuneration package.	These comprise healthcare insurance for Executive Directors and their dependents, limited financial advice, life assurance and car benefit.
Annual Bonus	The annual bonus rewards superior performance. It 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. The annual bonus has been the primary form of short-term cash based incentive for the year ended 30 September 2012, and this will continue to be the policy for the year ending 30 September 2013.	The target award for the year ended 30 September 2012 was 75% of base salary, with a further maximum of 75% of base salary available for enhanced performance. For the year ended 30 September 2012, the Committee agreed that bonus measures be comprised of: Personal Targets (15%); Profit Before Interest and Tax ('PBIT') (55%); Organic Revenue Growth ('ORG') (15%); and 15% based on either Group Free Cash Flow ('GFCF') or 12 Month Average Working Capital Balance ('AWCB') depending upon whether a Director has Group-wide or regional responsibilities respectively. The PBIT and ORG targets are subject to adjustments for acquisitions and disposals, and bonus measures dependent on GFCF are subject to the caveat that GFCF should not be affected by Board approved capital expenditure or other unusual or irregular timing differences. A supplementary financial underpin also applies such that the amount payable pursuant to the achievement of the non-PBIT measures may not exceed the on-target payment unless the threshold Group PBIT measure has been achieved. The PBIT and ORG targets are two of our key performance indicators and have a direct impact on Shareholder value. The use of GFCF and AWCB more closely align remuneration metrics with the Group's trading results and GFCF is a key measure of performance in reported results. In setting the actual level of targets each year, the Committee has regard to investors' expectations, budgets and longer term business plans. The Committee is satisfied that the performance targets continue to be sufficiently stretching and promote the Company's business strategy and Shareholder value. In the case of intended fraud or misconduct by a participant which contributes to an error in financial information, the Company will be entitled to claw back the value of any amount paid under the annual bonus. The bonus measures for each Executive Director are set out in the table below. Targets for the year ended 30 September 2012 and achieved performance are shown on page 61. It has been agreed that, for the year ending 30 September 2013, Personal Targets will no longer be set and will be replaced by a Health, Safety and Environment improvement target which will represent 5% of an Executive Director's annual bonus plan opportunity, with the remaining 95% being set by reference to financial performance.

The annual bonus elements for Executive Directors for the year ended 30 September 2012 were:

Measure	Dominic Blakemore	Richard Cousins	Gary Green	Andrew Martin
Profit Before Interest and Tax ('PBIT')	55%[1]	55%[1]	55%[2]	55%[1]
Group Free Cash Flow ('GFCF')	15%	15%		15%
12 Month Average Working Capital Balance ('AWCB')			15%[3]	
Organic Revenue Growth ('ORG')	15%[4]	15%[4]	15%[5]	15%[4]
Personal Targets	15%	15%	15%	15%
Total	100%	100%	100%	100%

For the year ended 30 September 2012, Andrew Martin was subject to Group-wide targets.
1 PBIT on a Group-wide basis.
2 PBIT split between Group PBIT (15%) and PBIT for region of responsibility (40%).
3 12 Month AWCB for region of responsibility.
4 ORG on a Group-wide basis.
5 ORG for region of responsibility.

Element	Reason	Mechanics
Long Term Incentive Plan	The LTIP aligns the interests of Executive Directors and Shareholders through building a long-term shareholding in the Company. The LTIP has been the primary form of equity-based incentive for the year ended 30 September 2012, and this will continue to be the policy for the year ending 30 September 2013 (albeit that the specific performance targets are expected to be changed, subject to Shareholder approval at the AGM).	Under the LTIP, Executive Directors and Senior Executives may receive a conditional award of shares which may vest after a single three-year performance period, based on the achievement of stretching performance conditions. Awards of up to 200% of base salary are made by reference to the share price at the date of award. Awards may be settled in shares or cash, if required (for example, because of securities laws), subject to the discretion of the Committee, determined at any time up to their release. For awards made in the year ended 30 September 2012, 50% of any award was based on GFCF over the three-year performance period and 50% on the Company's TSR over the same period relative to the companies comprising the TSR comparator group at the start of the period. The precise GFCF target for each award is linked to the Group's wider business targets and is set by the Committee at the time of award based on Group projections and market expectations. The GFCF measure is set by the Committee subject to the caveat that GFCF should not be affected by Board approved capital expenditure or other unusual or irregular timing differences. No shares may vest unless the Group achieves threshold performance. 25% of the portion of the award based on GFCF vests on the achievement of threshold performance. Awards vest on a straight-line basis between 25% and 100% where GFCF is between threshold and maximum performance. 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) and an averaging period of three months is used. The portion of the award based on TSR will vest in full for top quartile performance achievement and 25% 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 if the Company's TSR performance is below the median. The Committee must also be satisfied that the underlying financial performance of the Group justifies the vesting of an award. Calculations of the achievement of the targets are independently performed and are approved by the Committee. If a participant retires, any unvested LTIP award will continue until the normal vesting date and will be satisfied, subject to achievement of the performance conditions. If a participant ceases to be an employee for any other reason (other than death), unvested awards will normally lapse unless the Committee determines in its absolute discretion, in which case it can permit awards to continue and be satisfied, subject to the achievement of the performance conditions. In both these circumstances, any shares vesting will be prorated based on the period of service unless otherwise determined by the Committee. 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. Similar treatment applies in the event of death of a participant. The Committee's policy with regard to the exercise of discretion is set out on page 59. In the case of intended fraud or misconduct by a participant which contributes to an error in financial information that materially affects the Company's share value, the Company will be entitled to claw back the value of any shares released or the payment of cash equivalents under the LTIP. Benefits under the LTIP are not pensionable. The Committee is recommending to Shareholders at the forthcoming AGM that, going forward, Return on Capital Employed ('ROCE') be included as an additional performance target under the LTIP and that the three measures of GFCF, ROCE and TSR should each carry an equal weighting of one third. If approved by Shareholders, these targets will apply to awards made in the year ending 30 September 2013 and thereafter. In order to ensure continued alignment between Executive Directors' and Shareholders' interests, in determining final vesting under the LTIP, the Committee will continue to review the underlying financial performance of the Company at the end of each performance period and retain its discretion to adjust vesting if it considers that performance is unsatisfactory.
Pension or Cash Allowance	Rewards sustained contribution and encourages retention.	Incoming Executive Directors are invited to participate in the Company's money purchase pension arrangement or to take a fixed salary supplement (calculated as a percentage of base salary, which is excluded from any bonus calculation), in lieu of pension entitlement. The Group's policy is not to offer defined benefit arrangements to new employees at any level (save where required by applicable legislation). At 30 September 2012 there were no Executive Directors actively participating in any Compass Group defined benefit pension arrangements and none of the Executive Directors are accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as Executive Directors. Dominic Blakemore, Richard Cousins and Gary Green each receive a salary supplement equal to 35% of their basic salaries in lieu of pension. As reported in 2006, Andrew Martin has, since 6 April 2006, received a salary supplement equal to 35% of basic salary and has waived all rights to his final salary pension, money purchase pension and unfunded unapproved pension relating to his employment prior to that date.

Directors' Remuneration Report

Closed incentive plans

The LTIP described in the table on page 57 is the primary form of equity incentive for Executive Directors. Some share incentive awards remain extant which were issued under former plans to Executive Directors under the Compass Group Long-Term Incentive Plan ('the 2000 LTIP') and, prior to the exercise of options by Gary Green on 23 January 2012, the Compass Group Share Option Plan.

Long-term incentive plan awards prior to 2010 were made under the 2000 LTIP. Under the 2000 LTIP, Executives received a conditional award of shares of up to an annual maximum of 200% of base salary which would vest after a single three-year performance period, subject to the achievement of stretching performance conditions. 50% of any award made under the 2000 LTIP was based on GFCF and 50% on the Company's TSR. Further details of the 2000 LTIP may be found in the 2010 Annual Report. Details of the number of existing awards held by Executive Directors under the 2000 LTIP are included in the table on page 63.

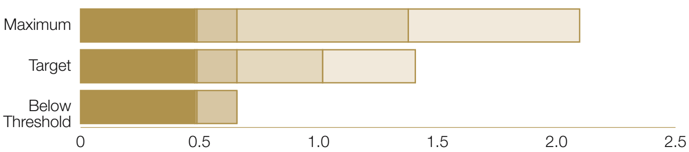
The final remaining holding of share options granted under the Compass Group Share Option Plan to an Executive Director was exercised by Gary Green during the year. Details are shown on page 63. There are no other outstanding share options held by Executive Directors.

Value and composition of remuneration packages

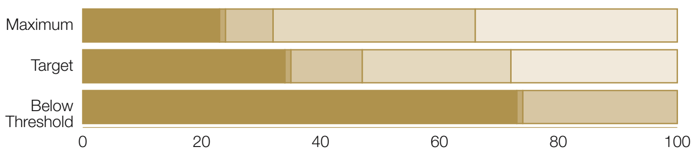
The value and composition of the Executive Directors' remuneration packages for the year ended 30 September 2012 at below threshold, threshold (par or target) and maximum scenarios under the Compass remuneration policy are set out in the charts below.

Dominic Blakemore

Value of package (£m)

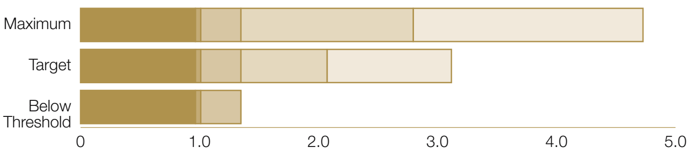


Composition of overall package (%)

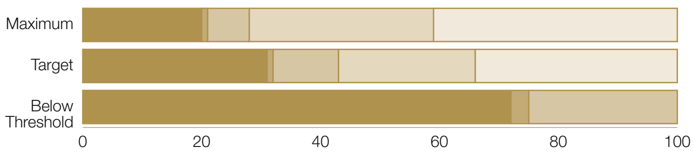


Richard Cousins

Value of package (£m)

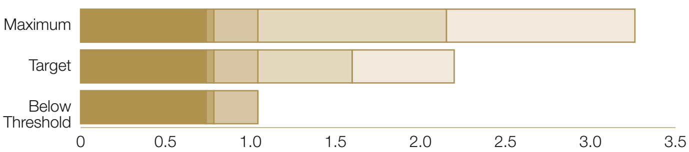


Composition of overall package (%)

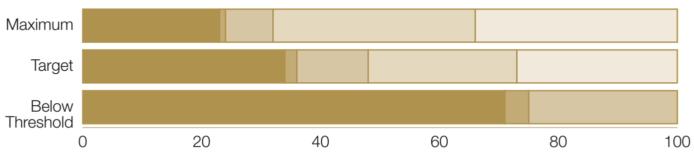


Gary Green

Value of package (£m)

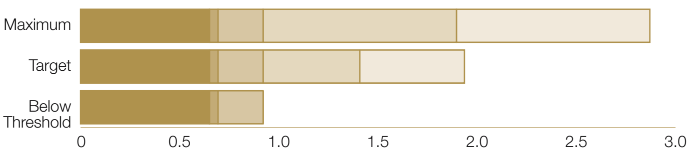


Composition of overall package (%)

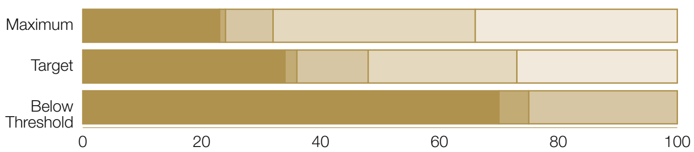


Andrew Martin

Value of package (£m)



Composition of overall package (%)



Salary Benefits Pension Bonus LTIP

Notes:
Salary: Base salary as at 30 September 2012.
Benefits: Estimate based on benefits received during 2012.
Pension: Salary supplement based on salaries at 30 September 2012.
Bonus: 2012/2013 target and maximum award levels in accordance with plan rules. Nil payout for below threshold performance.
LTIP: Estimated value at target and maximum vesting based on proposed 2012/2013 performance measures. Nil payout for below threshold performance.
Share price movement has not been incorporated into the above figures.
Gary Green: In calculating Gary Green's compensation, an exchange rate of $1.5826/£1 has been used.

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
Remuneration	• Salary, pension and benefits • Company car or cash allowance • Private health insurance for Director and dependents • Life Assurance • Financial planning advice • 25 days' paid annual leave • Participation in annual bonus plan, subject to plan rules • Participation in LTIP, subject to plan rules
Change of Control	• No special contractual provisions apply in the event of a change of control
Notice Period	• 12 months' notice from the Company • 6 months' notice from the Director (12 months' from Richard Cousins)
Termination Payment	• Payment in lieu of notice equal to: – 12 months' pay – On-target bonus (save for Dominic Blakemore) – Pension supplement – 10% of basic salary in respect of benefits 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.
Restrictive Covenants	• During employment and for 12 months after leaving

The Committee is sensitive to Shareholders' concerns regarding bonus payments to Executive Directors during their notice periods. It believes the obligation to mitigate adequately addresses the issue.

Current policy, which has been in place since June 2008, is that Executive Directors should not receive any element of bonus in respect of any part of their notice periods where the Company exercises its right to make a payment in lieu of notice. Messrs Cousins, Green and Martin's service contracts are, however, based on previous policies and do provide for the payment, at par, of bonus in respect of the notice period in such circumstances. All Executive Directors' service contracts impose a clear obligation to mitigate such payment should departing Executive Directors take on new employment or receive alternative remuneration. The Committee has, after careful consideration, concluded that it would not be in Shareholders' interests to migrate such contracts onto the new policy. Dominic Blakemore's service contract fully complies with the new policy.

Details of the rights of leavers under the LTIP are shown on page 57. 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, subject to achievement of the performance conditions. In such circumstances, award vesting will normally be reduced 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 by reference to past performance to the date of leaving. The clawback provisions would continue to apply in the event that such discretion was exercised.

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

The Senior Executives who are members of the Executive Committee, and who are referred to in note 3 of the consolidated financial statements on page 84, have similar service contracts.

The Executive Directors have served on the Board for the periods shown below and have service agreements dated as follows:

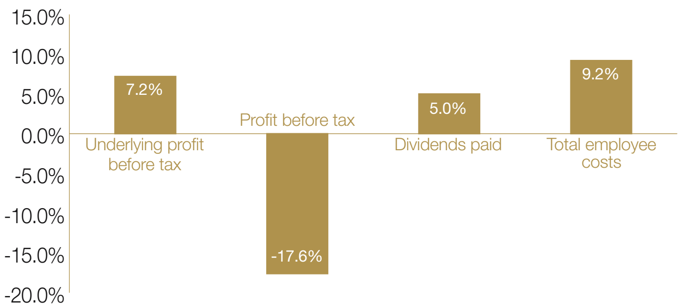
	Date of contract	Length of Board service as at 30 September 2012
Dominic Blakemore	12 December 2011	7 months
Richard Cousins	22 November 2007	6 years
Gary Green	27 November 2007	5 years
Andrew Martin	27 November 2007	8 years

Relative importance of spend on pay

The following tables set out the amounts and percentage change in profit, dividends and total employee costs for the years ended 30 September 2011 and 2012.

Dispersals	**2012 £m**	2011 £m
Underlying profit before tax	**1,093**	1,020
Profit before tax	**789**	958
Dividends paid	**378**	360
Total employee costs	**7,810**	7,152

Percentage change of spend on pay 2012 vs 2011



1 The total dividend during the year ended 30 September 2011 was £360 million based on a share capital in issue on that date of 1,898 million ordinary shares. The total dividend paid during the year ended 30 September 2012 was £378 million based on a share capital in issue on that date of 1,855 million ordinary shares. The full year dividend per ordinary share for the year ended 30 September 2012 increased by 10.4%.

2 Total employee costs for continuing and discontinued operations, includes 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 continuing and discontinued operations was 471,108 (2011) and 508,714 (2012).

External appointments

Executive Directors may take up one non-executive directorship outside of 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. Richard Cousins and Andrew Martin received fees of £85,000 and £55,000 during the year in respect of their Directorships of Reckitt Benckiser Group plc and easyJet plc respectively, which they were permitted to retain.

Directors' Remuneration Report

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.

Under the guidelines, the Chief Executive is required to hold a personal shareholding equal to twice his basic salary. Other Executive Directors are required to hold a personal shareholding equal to one and a half times their basic salary, and members of the Executive Committee one times their basic salary. Non-Executive Directors are required to hold a personal shareholding equal to one times their basic fee.

For Executive Directors, the guideline shareholding may be achieved by retaining shares received as a result of participating in the Company's share plans. The programme specifically excludes the need to make a personal investment should awards not vest. Non-Executive Directors are 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 shareholding is expected to be achieved within a four-year period, commencing on 1 October 2010 or on date of appointment, if later.

The Committee reviewed and noted that the guidelines were satisfied by all Directors during the year. The Directors' current shareholdings are set out on page 64.

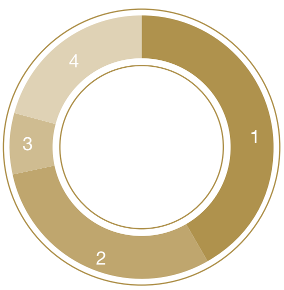
Dilution limits

All of the Company's equity-based incentive plans incorporate the current Association of British Insurers ('ABI') 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 re-issue of treasury shares), with a further limitation of 5% in any 10-year period for Executive plans.

The Committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of options or share awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were utilised in the year ended 30 September 2012.

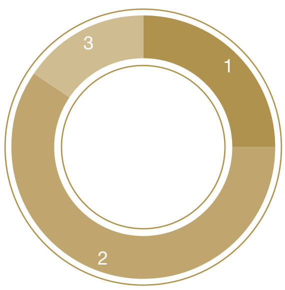
As at 30 September 2012, the Company's headroom position, which remains within current ABI Guidelines, was as shown in the charts below.

10% in 10 years



1 4.19% Headroom
2 2.98% Discretionary options
3 0.77% LTIP
4 2.06% All-employee

5% in 10 years



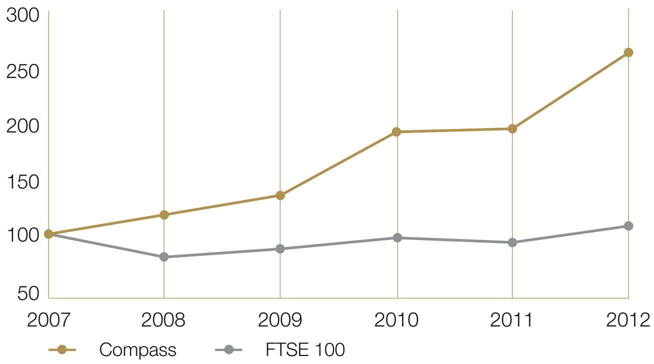
1 1.25% Headroom
2 2.98% Discretionary options
3 0.77% LTIP

Remuneration in detail for the year ended 30 September 2012

Total Shareholder Return

The performance graph below shows the Company's TSR performance against the performance of the FTSE 100 over the five-year period to 30 September 2012. 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.

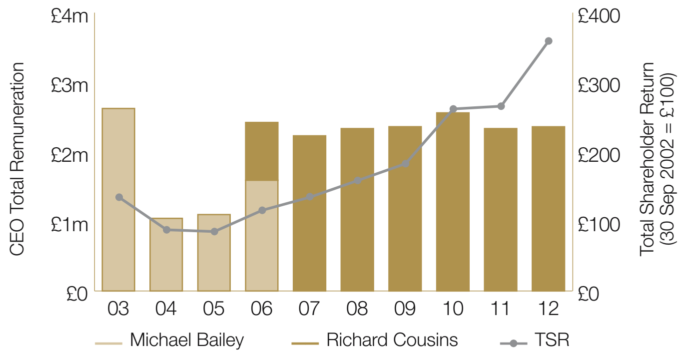
Total return indices – Compass vs FTSE 100
(September)



Pay for performance

The Committee believes that the current Executive remuneration policy and the supporting reward structure provides a clear alignment with the performance of the Company. To maintain this relationship, the Committee constantly reviews the business priorities and the environment in which the Company operates. The chart below shows the relationship between both Richard Cousins' and his predecessor's total remuneration over the last ten years compared to the TSR performance of the Company over the same period.

CEO remuneration and TSR
(Financial year ending 30 September)



1 For the purpose of the table above, the total remuneration figure used is that published in the Directors' Remuneration Report table of the respective year's Annual Report.
2 In the financial years ended 30 September 2004 and 2005, Michael Bailey waived his annual bonus payments.

Directors' total 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 for the year ended 30 September 2012. Non-Executive Directors receive fees only which are shown on page 64, together with the Chairman's fees and benefits.

Director	Base salary £000	Benefits[4] £000	Pension[5] £000	Bonus £000	**Actual remuneration 2012 £000**	Total 2011 £000	LTIP[6] £000	**Total 2012 £000**
Dominic Blakemore[1]	283	9	99	305	**696**	–	–	**696**
Richard Cousins	945	44	331	1,040	**2,360**	2,334	2,451	**4,811**
Gary Green[2]	734	45	257	922	**1,958**	1,975	1,884	**3,842**
Andrew Martin[3]	612	43	214	710	**1,579**	1,460	1,470	**3,049**

1 Dominic Blakemore was appointed as a Director on 27 February 2012 and the amounts shown are prorated remuneration amounts.
2 Gary Green's salary of US$1.162m and his other emoluments are given in Sterling using an exchange rate of US$1.5826/£1 (2011: US$1.6059/£1).
3 Andrew Martin's base salary was increased from £579,000 to £650,000 per annum with effect from 2 April 2012 to reflect the change in his role and responsibilities.
4 Benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.
5 Pension: A supplement of 35% of basic salary is paid in monthly instalments in lieu of pension participation.
6 LTIP: Amount shown is the indicative vesting value as at 13 November 2012 (the provisional date of vesting) of LTIPs that have become receivable as a result of the achievement of conditions relating to performance in the year ended 30 September 2012 (the final year of performance), calculated in accordance with the methodology agreed by the UK FRC's Financial Reporting Laboratory.

2011/2012 Bonus

Performance measure outcomes

The financial targets for the bonus for the year ended 30 September 2012, and the extent to which they were achieved, were as set out below. At the time the performance targets for the 2011/2012 bonus were set the Group's European exceptional had not been considered. In view of this and because the European exceptional is intended to deliver shareholder value in the long term, the Committee therefore agreed that the outcome for the year be assessed excluding the impact of the exceptional charge and any cash impact in the year.

	Minimum	Par (target)	Maximum	Achieved
Group PBIT	£1,172m	£1,196m	£1,220m	£1,198m
GFCF	£727m	£742m	£757m	£760m
Revenue Growth	2.8%	3.8%	4.8%	5.4%

The resultant percentages against each of the financial bonus measures achieved by each Executive Director, together with performance against their personal objectives are shown below:

	Dominic Blakemore	Richard Cousins	Gary Green	Andrew Martin
Measure	% of performance target achieved	% of performance target achieved	% of performance target achieved	% of performance target achieved
Financial Targets:				
PBIT	29.8/55	29.8/55	40.1/55	29.8/55
GFCF	15/15	15/15		15/15
AWCB			15/15	
ORG	15/15	15/15	15/15	15/15
Personal Targets:	12/15	12/15	13/15	13/15
Total	**71.8/100**	**71.8/100**	**83.1/100**	**72.8/100**

Bonus payout

The outcome of the annual bonus for the year ended 30 September 2012 was due to the 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 such capacity.

Director	2011/2012 bonus payment (as a % of base salary)	Value of bonus
Dominic Blakemore[1]	107.70%	£304,791
Richard Cousins	107.70%	£1,039,844
Gary Green	124.65%	$1,458,505
Andrew Martin	109.20%	£709,800

1 Dominic Blakemore's bonus was prorated from the date of his appointment.

Save for the adjustment in respect of the European Exceptional already noted, no discretion was applied by the Committee in respect of Directors' bonuses for the year under review. The rules of the current annual bonus plan do not include any deferment of payment of any element of the same.

Long-term incentive awards

2011/2012 LTIP Award

During the year ended 30 September 2012, Executives received a conditional award of shares which may vest after a three-year performance period which will end on 30 September 2014, based on the achievement of stretching performance conditions, details of which may be found in the table below.

Director	LTIP award (as a % of base salary)	Face value of award[1] £000
Dominic Blakemore	150%	720
Richard Cousins	200%	1,875
Gary Green	150%	1,061
Andrew Martin	150%	852

1 Face value of award as at the date of grant on 25 November 2011 for Messrs Cousins, Green and Martin and as at 17 May 2012 for Mr Blakemore.

Directors' Remuneration Report

The table below shows the targets against which performance for these awards will be measured to determine vesting of the grant in 2014. In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions.

Level of performance	% of component that vests[1]	Target[2] TSR (50%)	GFCF (50%)
Threshold	25%	Median	£2,360m
Maximum	100%	Top Quartile	£2,478m

1 The vesting of the shares under each performance condition is independent. Therefore, where threshold vesting is met for one performance measure, but missed for the other, total vesting will be 12.5% of the original award.
2 2012 GFCF will be adjusted to reflect certain tax and pension payments, together with capital investment in the Australian Defence, Offshore & Remote business.

Awards may vest on a straight-line basis between threshold and maximum. If performance under a component does not reach the threshold level, vesting for that component will be nil.

2012/2013 LTIP Award

Following a review of the Company's LTIP, it is proposed that the grant to be made for the year ending 30 September 2013 will be subject to new performance conditions, which Shareholders will be asked to approve at the AGM on 7 February 2013.

It is proposed to make the following awards to Executive Directors:

Director	LTIP award (as a % of base salary)
Dominic Blakemore	150%
Richard Cousins	200%
Gary Green	150%
Andrew Martin	150%

The table below sets out the performance measures for the proposed awards:

Definition of measure	Weighting
GFCF Adjusted GFCF includes capital expenditure, net interest and net tax spend but excludes discontinued activities, acquisition spend, disposal proceeds and dividends.	⅓
ROCE improvement The definition aims to measure the underlying economic performance of the Company. ROCE is calculated using the underling operating profit, net of tax at the underlying rate for the year, and after profit relating to non-controlling interests. The capital employed figure excludes the post-employment benefit asset/liability, net of deferred tax, impaired goodwill, amortised intangibles arising on acquisitions and the net assets relating to non-controlling interests.	⅓
TSR Performance compared to that of constituent members of FTSE 100 (excluding financial services participants). 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).	⅓

The tables below show the targets against which performance will be measured to determine the vesting of the grant of awards for the year ending 30 September 2013. In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions.

GFCF and ROCE targets

Level of performance	% of component that vests	GFCF	ROCE
Threshold	0%	£2,246m	17.9%
Par (target)	50%	£2,364m	18.7%
Maximum	100%	£2,482m	19.6%

TSR target

Level of performance	% of component that vests
Below Median	0%
Median	25%
Upper Quartile	100%

The vesting of the shares under each performance condition is independent. Therefore, the total vesting amount will be based on the relevant percentage achievement for each performance measure.

Awards vest on a straight-line basis between threshold and maximum. If performance under a component does not reach 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 retain its discretion to adjust vesting if it considers that financial performance is unsatisfactory.

The Committee will review annually whether the measures and targets described above remain appropriate and challenging. Calculations of the achievement of the targets will be independently performed and approved by the Committee. The Committee will retain discretion to adjust for material events which occur during the performance period and will make full and clear disclosure of any such adjustments in the Directors' Remuneration Report, together with details of the achieved GFCF, ROCE and TSR performance, as determined by the above definitions, at the end of the performance period.

Long Term Incentive Plan performance

As the performance measures were achieved, at the end of the three-year performance period, the LTIP awards made during the 2009–2010 financial year will vest in full. Shares will be delivered to individuals following the end of the financial year ended 30 September 2012 and will appear as released in the share plan table of next year's Report.

The table below sets out the percentage of each LTIP award made to Executive Directors within the last five years which has vested and the percentage of each extant award, had it vested on 30 September 2012:

Year of award	Maturity date	Performance conditions	TSR % vested on maturity or indicative vesting percentage	GFCF % vested on maturity
2007–2008	1 Oct 2010	TSR/GFCF	100%	100%
2008–2009	1 Oct 2011	TSR/GFCF	100%	100%
2009–2010	1 Oct 2012	TSR/GFCF	100%	100%
2010–2011	1 Oct 2013	TSR/GFCF	76.3% (after 24 months)	N/A
2011–2012	1 Oct 2014	TSR/GFCF	100% (after 12 months)	N/A

GFCF targets for each of the last three years are shown on page 114 of the consolidated financial statements.

Extant equity incentive awards held by Executive Directors

Details of all existing equity incentive awards as at the date of this Report, including the awards conditionally made under the long-term incentive plans to the Executive Directors in office during the year ended 30 September 2012, are shown in the table below:

LTIP

Director	As at 30 Sep 2011: 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 Sep 2012: number of shares**	Market price at date of award: pence	Date of award	Maturity date
Dominic Blakemore	–	114,832	–	–	114,832	624.50	17 May 2012	1 Oct 2014
	–	**114,832**	**–**	**–**	**114,832**			
Richard Cousins	381,540	–	381,540	–	–	306.25	28 Nov 2008	1 Oct 2011
	350,182	–	–	–	350,182	440.00	1 Dec 2009	1 Oct 2012
	321,678	–	–	–	321,678	548.00	25 Nov 2010	1 Oct 2013
	–	343,720	–	–	343,720	551.00	25 Nov 2011	1 Oct 2014
	1,053,400	**343,720**	**381,540**	**–**	**1,015,580**			
Gary Green	256,856	–	256,856	–	–	306.25	28 Nov 2008	1 Oct 2011
	269,198	–	–	–	269,198	440.00	1 Dec 2009	1 Oct 2012
	185,630	–	–	–	185,630	548.00	25 Nov 2010	1 Oct 2013
	–	194,516	–	–	194,516	551.00	25 Nov 2011	1 Oct 2014
	711,684	**194,516**	**256,856**	**–**	**649,344**			
Andrew Martin	228,924	–	228,924	–	–	306.25	28 Nov 2008	1 Oct 2011
	210,108	–	–	–	210,108	440.00	1 Dec 2009	1 Oct 2012
	144,754	–	–	–	144,754	548.00	25 Nov 2010	1 Oct 2013
	–	156,186	–	–	156,186	551.00	25 Nov 2011	1 Oct 2014
	583,786	**156,186**	**228,924**	**–**	**511,048**			

50% of each award is based on a three-year GFCF target, and 50% is based on growth in the Company's TSR relative to the FTSE 100, excluding its financial services constituents.

Aggregate gross gains realised by Messrs Cousins, Green and Martin were £4,718,220 in the year ended 30 September 2012. The share price at the time of release of their awards was 544.00 pence per share.

The market price on 13 November 2012, the provisional date of vesting of the award made on 1 December 2009, was 700.00 pence.

All awards were granted for nil consideration.

The highest mid-market price of the Company's ordinary shares during the year was 727.00 pence and the lowest was 512.50 pence. The year end price was 683.50 pence.

Share options

Director	As at 30 Sep 2011: number of shares	Exercised during the year: number of shares	Lapsed during the year: number of shares	**As at 30 Sep 2012: number of shares**	Exercise price: pence	Normal exercise period
Gary Green	350,000	350,000	–	–	422.00	23 May 2005–22 May 2012
	350,000	**350,000**	**–**	**–**		

During the year, Gary Green exercised share options as shown in the table above. Options were granted under the Compass Group Share Option Plan, the principal terms of which can be found in previous Annual Reports. No options were granted during the year or may be granted in the future, as the plan expired on 27 July 2010.

No other share options are held by Executive Directors.

The aggregate gross gain realised by Mr Green was £670,916 in the year ended 30 September 2012.

The highest mid-market price of the Company's ordinary shares during the year was 727.00 pence and the lowest was 512.50 pence. The year end price was 683.50 pence.

Directors' Remuneration Report

Pensions

At 30 September 2012, there were no Executive Directors actively participating in any Compass Group defined benefit pension arrangements or accruing additional entitlement under any arrangements prior to their appointment.

All Executive Directors received a salary supplement equal to 35% of their basic salary in lieu of pension during the year as shown in the remuneration table on page 61.

Exit payments

No Executive Directors left the Company during the year ended 30 September 2012 and therefore no payments for compensation for loss of office were paid to, or receivable by, any Director.

Chairman

The fee for the Chairman is reviewed annually by the Committee in June with any increase taking effect on 1 July. Following consideration by the Committee during the year ended 30 September 2012, the Chairman's fee of £432,806 per annum was determined to be appropriate at the time of review and no increase was effected.

Details of amounts received by Sir Roy Gardner during the year ended 30 September 2012 are shown below.

Chairman	Fees £000	Benefits[1] £000	**2012 £000**	2011 £000
Sir Roy Gardner	433	63	**496**	477

1 Benefits include healthcare insurance, limited financial advice, life assurance and car benefit.

The Chairman has a letter of engagement dated 15 September 2005 which he received on appointment on 1 October 2005. He was initially engaged for a period of three years, which was renewed for a further three years until 1 July 2012 (revised letter of engagement dated 8 May 2009). Following the end of his second term, it was mutually agreed that his term of office be extended on an annual basis going forward. His appointment is terminable without compensation on six months' notice from either side. The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. He is entitled to the provision of life and medical insurance for himself and his spouse, financial planning assistance and car benefit.

Non-Executive Directors' remuneration

The fees for the Non-Executive Directors are reviewed and determined by the Board each year. Following a detailed benchmarking exercise which reviewed Non-Executive Directors' fees against three comparator groups within the FTSE 100, the current level of fees was determined to be appropriate for the year ending 30 September 2013 and no increase was effected during the year under review.

The fees for the year ended 30 September 2012 comprised a base fee of £81,000 per annum which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees. An additional fee of £22,000 per annum is payable where a Non-Executive Director acts as Chairman of either the Audit or Remuneration Committee and £12,000 is payable to the Chairman of the Corporate Responsibility Committee. An additional fee of £27,000 per annum is also payable for the Director nominated as Senior Independent Non-Executive Director. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements.

Details of the fees paid to each of the Non-Executive Directors for the year ended 30 September 2012 are set out below:

Non-Executive Director	**2012 £000**	2011 £000
Sir James Crosby	**125**	125
John Bason	**103**	29[1]
Susan Murray	**93**	93
Don Robert	**81**	81
Sir Ian Robinson	**81**	81

1 2011 salary prorated from date of appointment.

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 submit themselves for annual re-election by Shareholders. Details of their appointments, which are terminable without compensation, are set out in the table below.

Non-Executive Director	Original date of appointment	Letter of engagement	Total length of service at 30 Sep 2012
Sir James Crosby	17 Feb 2007	16 Feb 2007 (rev. 21 Sep 2009) (rev. 14 Nov 2012)	5 years, 7 months
John Bason	21 Jun 2011	10 May 2011	1 year, 3 months
Susan Murray	11 Oct 2007	11 Oct 2007 (rev. 16 Mar 2010)	5 years
Don Robert	8 May 2009	8 May 2009 (rev. 8 May 2012)	3 years, 5 months
Sir Ian Robinson	1 Dec 2006	1 Dec 2006 (rev. 21 Sep 2009) (rev. 14 Nov 2012)	5 years, 10 months

Directors' interests in shares

The Directors in office on 30 September 2012 had the following interests in the ordinary shares of the Company. The Company has a share ownership policy, details of which can be found on page 60, and achievement of the guidelines is shown in the table below.

	Shares held at 30 Sep 2012	Shares held at 30 Sep 2011	Shareholding required[1]	Compliance with Shareholding Guidelines[2]
John Bason	**5,688**	3,688	1 x	√
Dominic Blakemore	**–**	N/A	1.5 x	√
Richard Cousins	**1,359,403**	1,173,827	2 x	√
Sir James Crosby	**34,000**	34,000	1 x	√
Sir Roy Gardner	**194,778**	196,878	1 x	√
Gary Green	**606,856**	1,132,272	1.5 x	√
Andrew Martin	**888,845**	777,500	1.5 x	√
Susan Murray	**13,000**	10,000	1 x	√
Don Robert	**30,000**	30,000	1 x	√
Sir Ian Robinson	**15,000**	15,000	1 x	√

1 As a multiple of base salary or fee.
2 Requirement to achieve by 1 October 2014, or within four years of appointment, if later.

There were no changes in Directors' interests between 30 September 2012 and 21 November 2012.

Remuneration of other Senior Executives and Management

A number of Senior Executives and the Executive Directors comprise the Executive Committee. These key management roles influence the ability of the Group to meet its strategic targets. The Committee has regard to the remuneration level and structure of this group whose total remuneration including salary and other short-term benefits, target (or par) bonus and the expected value of long-term incentives is summarised in note 3 on page 84 of the consolidated financial statements.

Remuneration advice

The Chairman and the Group Chief Executive, together with Jane Kingston (Group Human Resources Director) and Harriet Kemp (Director of Group Reward), 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 salaries from the Company under their service contracts.

The Committee also has access to detailed external information and research on market data and trends from independent consultants. During the year, the Company retained PricewaterhouseCoopers LLP ('PWC') to advise on compensation-related matters, and specifically to undertake a benchmarking exercise in respect of the fees paid to its Non-Executive Directors, the Chairman and the Group Chief Executive, and to provide advice in relation to the proposed amendment to the performance conditions of the Company's LTIP, for which they received total fees of £172,000.

Alithos Limited ('Alithos') provided information for the testing of the TSR performance conditions for the Company's long-term incentive plan awards, for which they received fees of £24,000. They also provided the TSR performance graphs for the Directors' Remuneration Report, for which they received a fee of £1,000.

Alithos was appointed by the Company in 2002 and PWC was appointed in 2007 (renewed in 2011). Both appointments were made with the approval of the Committee following a selection exercise. Alithos did not provide any other advice or services to the Company during the year. PWC provided services globally which comprised pension, expatriate, internal audit, merger and acquisition, due diligence, tax and other consultancy advice, for which they received total fees of £688,000 in addition to the fee they received for advising the Committee.

Shareholder vote on 2011 Directors' Remuneration Report

The table below shows the voting outcome at the 3 February 2012 AGM for the 2011 Directors' 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'[1]
1,307,140,437	93.40%	92,369,743	6.60%	1,399,510,180	21,294,395

1 A vote withheld is not a vote in law.

93.40% of the votes cast were for the approval of the Directors' Remuneration Report, with 6.60% against (with 1.5% of the total number of votes cast abstaining. A vote withheld is not a vote in law.). Extensive consultation with shareholder bodies and a number of large institutional investors was conducted during the year in connection with the proposed changes to the performance measures under the LTIP. The Committee welcomed the endorsement shown by Shareholders for the Directors' Remuneration Report and took steps, wherever practicable, to understand Shareholders' concerns when withholding their support.

On behalf of the Board

Sir James Crosby
Chairman of the Remuneration Committee
21 November 2012

Consolidated financial statements

Directors' responsibilities

The Annual Report and Accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards
- the financial statements 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 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

On behalf of the Board

Mark J White
General Counsel and Company Secretary
21 November 2012

The Directors are responsible for preparing the Annual Report and the consolidated financial statements. The Directors are required to prepare consolidated financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS'). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 and Article 4 of the International Accounting Standard ('IAS') Regulation.

IAS 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006. The Directors, having prepared the financial statements, have permitted the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion.

The Directors are responsible for the maintenance and integrity of the Compass Group PLC website.

Legislation in the United Kingdom 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

Introduction

We have audited the Group financial statements of Compass Group PLC for the year ended 30 September 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the accounting policies and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:
- give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement contained within the Finance Director's statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matters

We have reported separately on the Parent Company financial statements of Compass Group PLC for the year ended 30 September 2012.

Ian Waller

Ian Waller (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 November 2012

Consolidated income statement

for the year ended 30 September 2012

	Notes	Before European exceptional 2012 £m	European exceptional 2012 £m	Total 2012 £m	Before UK re-organisation 2011 £m	UK re-organisation 2011 £m	Total 2011 £m
Continuing operations							
Revenue	1	**16,905**	**–**	**16,905**	15,833	–	15,833
Operating costs	2	**(15,762)**	**(295)**	**(16,057)**	(14,768)	(55)	(14,823)
Operating profit	1	**1,143**	**(295)**	**848**	1,065	(55)	1,010
Share of profit of associates	1, 14	**8**	**–**	**8**	6	–	6
Total operating profit	1	**1,151**	**(295)**	**856**	1,071	(55)	1,016
Gain on disposal of the US Corrections business	5	**23**	**–**	**23**	–	–	–
Gain on remeasurement of joint venture interest on acquisition of control	6	**–**	**–**	**–**	16	–	16
Finance income	4	**9**	**–**	**9**	4	–	4
Finance costs	4	**(94)**	**–**	**(94)**	(75)	–	(75)
Hedge accounting ineffectiveness	4	**(6)**	**–**	**(6)**	(5)	–	(5)
Change in the fair value of investments and non-controlling interest put options	4	**1**	**–**	**1**	2	–	2
Profit before tax		**1,084**	**(295)**	**789**	1,013	(55)	958
Income tax expense	7	**(250)**	**72**	**(178)**	(273)	9	(264)
Profit for the year from continuing operations	1	**834**	**(223)**	**611**	740	(46)	694
Discontinued operations							
Profit for the year from discontinued operations	8	**–**	**–**	**–**	40	–	40
Continuing and discontinued operations							
Profit for the year		**834**	**(223)**	**611**	780	(46)	734
Attributable to							
Equity shareholders of the Company		**828**	**(223)**	**605**	774	(46)	728
Non-controlling interests		**6**	**–**	**6**	6	–	6
Profit for the year		**834**	**(223)**	**611**	780	(46)	734
Basic earnings per share (pence)							
From continuing operations	9			**32.1p**			36.4p
From discontinued operations	9			**–**			2.1p
From continuing and discontinued operations	9			**32.1p**			38.5p
Diluted earnings per share (pence)							
From continuing operations	9			**31.9p**			36.1p
From discontinued operations	9			**–**			2.1p
From continuing and discontinued operations	9			**31.9p**			38.2p

Analysis of operating profit

for the year ended 30 September 2012

	Notes	Total 2012 £m	Total 2011 £m
Continuing operations			
Underlying operating profit before share of profit of associates		**1,170**	1,085
Share of profit of associates		**8**	6
Underlying operating profit[1]		**1,178**	1,091
Amortisation of intangibles arising on acquisition		**(18)**	(12)
Acquisition transaction costs		**(9)**	(9)
Adjustment to contingent consideration on acquisition		**–**	1
Operating profit after costs relating to acquisitions and disposals before European exceptional and UK re-organisation		**1,151**	1,071
European exceptional	2	**(295)**	–
UK re-organisation	2	**–**	(55)
Total operating profit		**856**	1,016

1 Underlying operating profit excludes European exceptional, 2011 UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.

Consolidated statement of comprehensive income

for the year ended 30 September 2012

	Notes	2012 £m	2011 £m
Profit for the year		**611**	734
Other comprehensive income			
Currency translation differences		**(90)**	6
Actuarial (losses)/gains on post-retirement employee benefits	24	**(115)**	17
Tax on items relating to the components of other comprehensive income	7	**27**	(8)
Total other comprehensive (loss)/income for the year		**(178)**	15
Total comprehensive income for the year		**433**	749
Attributable to			
Equity shareholders of the Company		**427**	743
Non-controlling interests		**6**	6
Total comprehensive income for the year		**433**	749

Consolidated statement of changes in equity

for the year ended 30 September 2012

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2011	190	353	44	(1)	4,529	(1,620)	8	3,503
Profit for the year	–	–	–	–	–	605	6	611
Other comprehensive income								
Currency translation differences	–	–	–	–	(90)	–	–	(90)
Actuarial (losses)/gains on post-retirement employee benefits	–	–	–	–	–	(115)	–	(115)
Tax on items relating to the components of other comprehensive income	–	–	–	–	(1)	28	–	27
Total other comprehensive income	–	–	–	–	(91)	(87)	–	(178)
Total comprehensive income for the year	–	–	–	–	(91)	518	6	433
Issue of shares (for cash)	1	29	–	–	–	–	–	30
Fair value of share-based payments	–	–	–	–	11	–	–	11
Tax on items taken directly to equity (note 7)	–	–	–	–	–	7	–	7
Share buyback[1]	(5)	–	5	–	–	(356)	–	(356)
Release of LTIP award settled by issue of new shares	–	4	–	–	(4)	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	(2)	2	–
Other changes	–	–	–	–	–	(3)	–	(3)
	186	386	49	(1)	4,445	(1,456)	16	3,625
Dividends paid to Compass shareholders (note 10)	–	–	–	–	–	(378)	–	(378)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
At 30 September 2012	186	386	49	(1)	4,445	(1,834)	10	3,241

Other reserves	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Equity adjustment for put options £m	Total other reserves £m
At 1 October 2011	149	4,170	7	203	–	4,529
Other comprehensive income						
Currency translation differences	–	–	–	(90)	–	(90)
Tax on items relating to the components of other comprehensive income	–	–	–	(1)	–	(1)
Total other comprehensive income	–	–	–	(91)	–	(91)
Total comprehensive income for the year	–	–	–	(91)	–	(91)
Fair value of share-based payments	11	–	–	–	–	11
Release of LTIP award settled by issue of new shares	(4)	–	–	–	–	(4)
At 30 September 2012	156	4,170	7	112	–	4,445

1 Including stamp duty and brokers' commission.

Own shares held by the Group represent 197,475 shares in Compass Group PLC (2011: 268,541 shares). 180,266 shares are held by the Compass Group Employee Share Trust ('ESOP') and 17,209 shares by the Compass Group Long Term Incentive Plan Trust ('LTIPT'). These shares are listed on a recognised stock exchange and their market value at 30 September 2012 was £1.3 million (2011: £1.4 million). The nominal value held at 30 September 2012 was £19,748 (2011: £26,854).

ESOP and LTIPT are discretionary trusts for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for share options, share bonus and long-term incentive plans. All of the shares held by the ESOP and LTIPT are required to be made available in this way.

The merger reserve arose in 2000 following the demerger from Granada Compass plc. The equity adjustment for put options arose in 2005 on the accounting for the options held by the Group's non-controlling partners requiring the Group to purchase those non-controlling interests.

Consolidated statement of changes in equity

for the year ended 30 September 2012

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2010	189	317	44	(1)	4,521	(2,002)	5	3,073
Profit for the year	–	–	–	–	–	728	6	734
Other comprehensive income								
Currency translation differences	–	–	–	–	6	–	–	6
Actuarial gains/(losses) on post-retirement employee benefits	–	–	–	–	–	17	–	17
Tax on items relating to the components of other comprehensive income	–	–	–	–	(3)	(5)	–	(8)
Total other comprehensive income	–	–	–	–	3	12	–	15
Total comprehensive income for the year	–	–	–	–	3	740	6	749
Issue of shares (for cash)	1	30	–	–	–	–	–	31
Fair value of share-based payments	–	–	–	–	10	–	–	10
Tax on items taken directly to equity (note 7)	–	–	–	–	–	3	–	3
Share buyback	–	–	–	–	–	–	–	–
Release of LTIP award settled by issue of new shares	–	6	–	–	(6)	–	–	–
Transfer on exercise of put options	–	–	–	–	1	(1)	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	–	3	3
	190	353	44	(1)	4,529	(1,260)	14	3,869
Dividends paid to Compass shareholders (note 10)	–	–	–	–	–	(360)	–	(360)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
At 30 September 2011	190	353	44	(1)	4,529	(1,620)	8	3,503

Other reserves	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Equity adjustment for put options £m	Total other reserves £m
At 1 October 2010	145	4,170	7	200	(1)	4,521
Other comprehensive income						
Currency translation differences	–	–	–	6	–	6
Tax on items relating to the components of other comprehensive income	–	–	–	(3)	–	(3)
Total other comprehensive income	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	3	–	3
Fair value of share-based payments	10	–	–	–	–	10
Release of LTIP award settled by issue of new shares	(6)	–	–	–	–	(6)
Transfer on exercise of put options	–	–	–	–	1	1
At 30 September 2011	149	4,170	7	203	–	4,529

Consolidated balance sheet

as at 30 September 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill	11	**4,037**	4,060
Other intangible assets	12	**804**	719
Property, plant and equipment	13	**652**	655
Interests in associates	14	**82**	79
Other investments	15	**46**	41
Trade and other receivables	17	**90**	77
Deferred tax assets*	7	**296**	240
Derivative financial instruments**	21	**87**	64
Non-current assets		**6,094**	5,935
Current assets			
Inventories	18	**261**	270
Trade and other receivables	17	**2,114**	2,030
Tax recoverable*		**31**	36
Cash and cash equivalents**	19	**728**	1,110
Derivative financial instruments**	21	**2**	29
Current assets		**3,136**	3,475
Total assets		**9,230**	9,410
Current liabilities			
Short-term borrowings**	20	**(77)**	(711)
Derivative financial instruments**	21	**(3)**	(3)
Provisions	23	**(246)**	(138)
Current tax liabilities*		**(147)**	(238)
Trade and other payables	22	**(3,010)**	(2,900)
Current liabilities		**(3,483)**	(3,990)
Non-current liabilities			
Long-term borrowings**	20	**(1,708)**	(1,247)
Derivative financial instruments**	21	**(2)**	(3)
Post-employment benefit obligations	24	**(361)**	(292)
Provisions	23	**(357)**	(301)
Deferred tax liabilities*	7	**(40)**	(35)
Trade and other payables	22	**(38)**	(39)
Non-current liabilities		**(2,506)**	(1,917)
Total liabilities		**(5,989)**	(5,907)
Net assets		**3,241**	3,503
Equity			
Share capital	25	**186**	190
Share premium account		**386**	353
Capital redemption reserve		**49**	44
Less: Own shares		**(1)**	(1)
Other reserves		**4,445**	4,529
Retained earnings		**(1,834)**	(1,620)
Total equity shareholders' funds		**3,231**	3,495
Non-controlling interests		**10**	8
Total equity		**3,241**	3,503

* Component of current and deferred taxes. ** Component of net debt.

Approved by the Board of Directors on 21 November 2012 and signed on their behalf by

Richard J Cousins, Director
Dominic Blakemore, Director

Consolidated cash flow statement

for the year ended 30 September 2012

	Notes	2012 £m	2011 £m
Cash flow from operating activities			
Cash generated from operations	28	**1,393**	1,298
One-off employer contributions to post-employment benefit obligations		**–**	(60)
Interest paid		**(87)**	(56)
Premium paid on options		**(2)**	(1)
Interest element of finance lease rentals		**(2)**	(2)
Tax received		**24**	24
Tax paid		**(259)**	(233)
Net cash from/(used in) operating activities of continuing operations		**1,067**	970
Net cash from/(used in) operating activities of discontinued operations	29	**(19)**	(6)
Net cash from/(used in) operating activities		**1,048**	964
Cash flow from investing activities			
Purchase of subsidiary companies and investments in associated undertakings[1]	27	**(221)**	(426)
Proceeds from sale of subsidiary companies and associated undertakings – discontinued activities[1]	8	**(3)**	–
Proceeds from sale of subsidiary companies and associated undertakings – continuing activities[1]		**58**	–
Tax on profits from sale of subsidiary companies and associated undertakings		**(21)**	(3)
Purchase of intangible assets	12	**(154)**	(126)
Purchase of property, plant and equipment		**(240)**	(244)
Proceeds from sale of property, plant and equipment/intangible assets		**28**	30
Purchase of other investments	15	**(3)**	(2)
Dividends received from associated undertakings	14	**8**	7
Interest received		**9**	4
Net cash from/(used in) investing activities by continuing operations		**(539)**	(760)
Net cash from/(used in) investing activities by discontinued operations	29	**(24)**	–
Net cash from/(used in) investing activities		**(563)**	(760)
Cash flow from financing activities			
Proceeds from issue of ordinary share capital		**30**	31
Purchase of own shares[2]		**(356)**	–
Net (decrease)/increase in borrowings	30	**(133)**	610
Repayment of obligations under finance leases	30	**(10)**	(12)
Equity dividends paid	10	**(378)**	(360)
Dividends paid to non-controlling interests		**(6)**	(6)
Net cash from/(used in) financing activities by continuing operations		**(853)**	263
Net cash from/(used in) financing activities by discontinued operations	29	**–**	–
Net cash from/(used in) financing activities		**(853)**	263
Cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents	30	**(368)**	467
Cash and cash equivalents at beginning of the year	30	**1,110**	643
Currency translation (losses)/gains on cash and cash equivalents	30	**(14)**	–
Cash and cash equivalents at end of the year	30	**728**	1,110

1 Net of cash acquired or disposed and payments received or made under warranties and indemnities.
2 Includes stamp duty and brokers' commission.

Reconciliation of free cash flow from continuing operations

for the year ended 30 September 2012

	2012 £m	2011 £m
Net cash from operating activities of continuing operations	**1,067**	970
One-off employer contributions to post-employment benefit obligations	**–**	60
Purchase of intangible assets	**(154)**	(126)
Purchase of property, plant and equipment	**(240)**	(244)
Proceeds from sale of property, plant and equipment/intangible assets	**28**	30
Purchase of other investments	**(3)**	(2)
Dividends received from associated undertakings	**8**	7
Interest received	**9**	4
Dividends paid to non-controlling interests	**(6)**	(6)
Free cash flow from continuing operations	**709**	693
Add back: Impact of non-recurring tax issues	**31**	–
Add back: Cash restructuring costs in the year	**20**	–
Underlying free cash flow	**760**	693

Accounting policies

for the year ended 30 September 2012

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 2012. 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 Finance Directors' Report on page 42.

There have been only minor improvements to existing International Financial Reporting Standards and interpretations that are effective for the first time in the current financial year which have been adopted by the Group with no impact on its consolidated results or financial position. In the current financial year, the Group has adopted 'Improvements to IFRS' (issued May 2010), Amendments to IAS 24 'State-controlled entities and the definition of a related party', Amendments to IFRIC 14 'Prepayments on a minimum funding requirement' and IFRIC 19 'Extinguishing financial liabilities with equity instruments'.

Accounting standards, amendments and interpretations to existing standards that are not yet effective

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 2012 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 9 'Financial instruments' (not yet endorsed by the European Union) removes the multiple classification and measurement models for financial assets required by IAS 39 and introduces a model that has only two classification categories: amortised cost and fair value. Classification is driven by the business model for managing the financial assets and the contractual cash flow characteristics of those assets. The accounting and presentation for financial liabilities and for derecognising financial instruments is relocated from IAS 39 without any significant changes. The Group is currently assessing the impact this standard would have on its consolidated results and financial position.

IFRS 10 'Consolidated financial statements' (not yet endorsed by the European Union) replaces the guidance of control and consolidation in IAS 27 'Consolidated and separate financial statements' and SIC 12 'Consolidation – special purpose entities'. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of consolidation.

IFRS 11 'Joint arrangements' (not yet endorsed by the European Union) requires joint arrangements to be accounted for as a joint operation or as a joint venture depending upon the rights and obligations of each party to the arrangement. Proportionate consolidation for joint ventures will be eliminated and equity accounting will be compulsory. It is anticipated that the application of the standard (which is expected to be effective for the Group in the year ending 30 September 2015) will result in a decrease to Group revenues, expenses, assets and liabilities but will have no impact on the Group's net profit or net assets. Details of the Group's joint venture arrangements are set out in note 16.

IFRS 12 'Disclosure of interests in other entities' (not yet adopted by the European Union) requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates and joint ventures.

IFRS 13 'Fair value measurement' (not yet adopted by the European Union) explains how to measure fair value and aims to enhance fair value disclosures. The standard does not change the measurement of fair value but codifies it in one place.

Amendments to IAS 19 'Employee benefits' changes a number of disclosure requirements for post-employment arrangements and restricts the options currently available on how to account for defined benefit pension plans. The most significant change that will impact the Group is that the amendment requires expected returns on pension plan assets, currently calculated based on management's expectation of expected returns, to be replaced by a credit on the pension plan assets calculated at the liability discount rate. The Group does not expect that this change will have a material impact on either finance costs or the Group's net assets. These amendments will be effective for the Group in the year ending 30 September 2014.

Amendment to IAS 1 'Presentation of financial statements – presentation of items of Other Comprehensive Income'. These amendments will be effective for the Group in the year ending 30 September 2013.

Amendments to IAS 12 'Income taxes: Deferred tax – recovery of underlying assets'

IAS 27 (revised) 'Separate financial statements'

IAS 28 (revised) 'Associates and joint ventures'

Amendments to IAS 32 'Financial instruments'

Amendment to IAS 34 'Interim financial reporting'

Amendments to IFRS 7 'Offsetting financial assets and liabilities'

Improvements to IFRS 2009-2011 Cycle

B Critical accounting policies and use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results for the year and the respective income tax and deferred tax provisions in the year in which such determination is made.

Goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M below. The recoverable amounts of cash-generating units 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 11 to the financial statements.

Post-employment benefits
Defined benefit schemes are reappraised annually by independent actuaries based on actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. The principal assumptions used are described in note 24 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 ventures and associates made up to 30 September each year.

D Subsidiaries, associates and joint ventures
Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control.

Joint ventures
Joint ventures are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and other venturers under a contractual agreement. The Group's share is accounted for using the proportionate consolidation method. The consolidated income statement and balance sheet include the Group's share of the income, expenses, assets and liabilities.

Associates
Associates are undertakings that are not subsidiaries or joint ventures 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.

Adjustments
Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used in line with those used by the Group.

Acquisitions and disposals
The results of subsidiaries, associates or joint ventures acquired or disposed of during the period 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 venture of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant joint venture.

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 income statement.

F Foreign currency
The consolidated financial statements are prepared in pounds 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 pounds Sterling 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 income statement for the period, 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 below 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
Revenue is recognised in the period in which 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 goods and services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Management fee contracts
Revenue from management fee contracts comprises the total of sales made to consumers, the subsidy charged to clients, together with the management fee charged to clients.

Accounting policies

for the year ended 30 September 2012

Fixed price contracts
Revenue from fixed price contracts is recognised in proportion to the volume of services that the Group is contracted to supply in each period.

Inter-segment transactions
There is little or no intra-group trading between the reported business segments. Where such trading does take place it is on similar terms and conditions to those available to third parties.

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.

Agreed discounts relating to inventories are credited to the income statement 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.

Rebates received in respect of plant and equipment are deducted from the costs capitalised.

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 before the share of results of associates, investment revenue and finance costs.

K Exceptional items

Exceptional items are disclosed and described separately in the 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 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 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 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 ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of 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 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 venture 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 each cash-generating unit ('CGU') 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. This is generally the total business for a country. However, in some instances, where there are distinct separately managed business activities within a country, particularly if they fall within different secondary business segments, the CGU is identified at this lower level.

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 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. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful lives of the assets.

The following rates applied for the Group:

- Contract-related intangible assets: the life of the contract
- Computer software: 6% to 33% per annum

The typical life of contract-related intangibles is 2 to 20 years.

Contract-related intangible assets arising on acquisition of a business are recognised at fair value and amortised over the life of the contract. 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 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 income statement, unless hedge accounting treatment is available.

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 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.

Liabilities in respect of option agreements

Option agreements that allow minority Shareholders to require the Group to purchase the minority interest are treated as derivatives over equity instruments. These are recorded in the balance sheet at fair value which is re-evaluated at each period end. Fair value is based on the present value of expected cash outflows. The movement in fair value is recognised as income or expense within the income statement.

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.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the 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 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 designates these as cash flow hedges of interest rate risk.

Accounting policies

for the year ended 30 September 2012

In relation to cash flow hedges (forward currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the 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.

When the hedged firm commitment results 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 included 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 income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example, when the future sale actually 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 income statement in the period.

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 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 against income.

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

Payments made to defined contribution pension schemes are charged as an expense when they fall due. Payments made to state-managed schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

For defined benefit pension schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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 and cash-settled share-based payments to certain employees. In accordance with the requirements of IFRS 2 'Share-based payment', 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.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Holiday pay

Paid holidays and similar entitlements are regarded as an employee benefit and are charged to the 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 2012

1 Segmental reporting

In line with the changes announced in November 2011, the management of the Company's operations, excluding Central activities, is organised within three segments: North America, Europe & Japan and Fast Growing & Emerging. These, together with Central activities, comprise the Company's reportable segments. These segments comprise countries which are at similar stages of development and demonstrate similar economic characteristics. Each segment derives revenue from delivery of food and support services.

Previously, the Company reported the following segments: North America, Continental Europe, UK & Ireland and Rest of the World. UK & Ireland, along with Japan, which was removed from the Rest of the World segment, were combined with Continental Europe, less Turkey and Russia, to form the Europe & Japan segment. Russia and Turkey were combined with the remainder of the previous Rest of the World segment to form Fast Growing & Emerging. Segment information for the prior periods has been restated to reflect the new segments. There has been no change to underlying cash-generating units.

	Geographical segments				
Revenues	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Intra-Group £m	**Total £m**
Year ended 30 September 2012					
External revenue	**7,517**	**6,243**	**3,145**	**–**	**16,905**
Year ended 30 September 2011					
External revenue	6,849	6,217	2,767	–	15,833

	Products and services: Sectors					
Revenues	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	**Total £m**
Year ended 30 September 2012						
External revenue	**7,068**	**2,645**	**3,243**	**1,785**	**2,164**	**16,905**
Year ended 30 September 2011						
External revenue	6,751	2,477	2,905	1,688	2,012	15,833

1 There is no inter-segmental trading.
2 Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £1,908 million (2011: £1,873 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £14,997 million (2011: £13,960 million).

Notes to the consolidated financial statements

for the year ended 30 September 2012

1 Segmental reporting continued

Result	Geographical segments North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Operating profit before associates, European exceptional and UK re-organisation, and costs relating to acquisitions	598	397	235	(60)	**1,170**
European exceptional	–	(295)	–	–	**(295)**
UK re-organisation	–	–	–	–	**–**
Operating profit before associates and costs relating to acquisitions	598	102	235	(60)	**875**
Less: Amortisation of intangibles arising on acquisition	(6)	(6)	(5)	(1)	**(18)**
Less: Acquisition transaction costs	–	(3)	(4)	(2)	**(9)**
Add: Adjustment to contingent consideration on acquisition	2	(1)	(1)	–	**–**
Operating profit before associates – continuing	594	92	225	(63)	**848**
Add: Share of profit of associates	5	3	–	–	**8**
Total operating profit – continuing	599	95	225	(63)	**856**
Gain on disposal of US Corrections business					**23**
Finance income					**9**
Finance costs					**(94)**
Hedge accounting ineffectiveness					**(6)**
Change in the fair value of investments and non-controlling interest put options					**1**
Profit before tax					**789**
Income tax expense					**(178)**
Profit for the year from continuing operations					**611**
Year ended 30 September 2011					
Operating profit before associates, European exceptional and UK re-organisation, and costs relating to acquisitions	538	400	207	(60)	1,085
European exceptional	–	–	–	–	–
UK re-organisation	–	(55)	–	–	(55)
Operating profit before associates and costs relating to acquisitions	538	345	207	(60)	1,030
Less: Amortisation of intangibles arising on acquisition	(3)	(4)	(4)	(1)	(12)
Less: Acquisition transaction costs	(1)	(5)	(2)	(1)	(9)
Add: Adjustment to contingent consideration on acquisition	1	–	–	–	1
Operating profit before associates – continuing	535	336	201	(62)	1,010
Add: Share of profit of associates	3	3	–	–	6
Total operating profit – continuing	538	339	201	(62)	1,016
Gain on disposal of US Corrections business					–
Gain on remeasurement of joint venture interest on acquisition of control					16
Finance income					4
Finance costs					(75)
Hedge accounting ineffectiveness					(5)
Change in the fair value of investments and non-controlling interest put options					2
Profit before tax					958
Income tax expense					(264)
Profit for the year from continuing operations					694

1 Segmental reporting continued

Balance sheet	Geographical segments North America £m	Geographical segments Europe & Japan £m	Geographical segments Fast Growing & Emerging £m	Central activities £m	Unallocated Current and deferred tax £m	Unallocated Net debt £m	**Total £m**
As at 30 September 2012							
Total assets	**3,015**	**3,712**	**1,348**	**11**	**327**	**817**	**9,230**
Total liabilities	**(1,348)**	**(1,687)**	**(726)**	**(251)**	**(187)**	**(1,790)**	**(5,989)**
Net assets/(liabilities)	**1,667**	**2,025**	**622**	**(240)**	**140**	**(973)**	**3,241**
Total assets include:							
Interests in associates	**46**	**36**	**–**	**–**	**–**	**–**	**82**
Non-current assets	**2,226**	**2,782**	**699**	**4**	**296**	**87**	**6,094**
As at 30 September 2011							
Total assets	2,986	3,770	1,168	7	276	1,203	9,410
Total liabilities	(1,352)	(1,452)	(615)	(251)	(273)	(1,964)	(5,907)
Net assets/(liabilities)	1,634	2,318	553	(244)	3	(761)	3,503
Total assets include:							
Interests in associates	45	34	–	–	–	–	79
Non-current assets	2,210	2,698	717	6	240	64	5,935

1 The previous reporting segments of North America, Continental Europe, UK & Ireland and Rest of the World have become: North America, Europe & Japan and Fast Growing & Emerging. This change only affects the geographical segmental reporting structure of the results; there is no change to the consolidated financial statements.
2 Non-current assets located in the UK, the Group's country of domicile, were £2,000 million (2011: £1,981 million). Non-current assets located in all foreign countries in which the Group holds assets were £4,094 million (2011: £3,650 million).

Notes to the consolidated financial statements

for the year ended 30 September 2012

1 Segmental reporting continued

Additions to other intangible assets	Geographical segments: North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Total additions to other intangible assets	**119**	**29**	**5**	**1**	**154**
Year ended 30 September 2011					
Total additions to other intangible assets	98	25	3	–	126

Additions to property, plant and equipment	Geographical segments: North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Total additions to property, plant and equipment[2]	**97**	**80**	**63**	**–**	**240**
Year ended 30 September 2011					
Total additions to property, plant and equipment[2]	86	109	50	1	246

Amortisation of other intangible assets	Geographical segments: North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Total amortisation of other intangible assets[3]	**90**	**33**	**9**	**2**	**134**
Year ended 30 September 2011					
Total amortisation of other intangible assets[3]	79	32	9	1	121

Depreciation of property, plant and equipment	Geographical segments: North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Total depreciation of property, plant and equipment	**67**	**103**	**33**	**–**	**203**
Year ended 30 September 2011					
Total depreciation of property, plant and equipment	58	81	28	–	167

Other non-cash expenses	Geographical segments: North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Total £m
Year ended 30 September 2012					
Total other non-cash expenses[4]	**3**	**3**	**2**	**3**	**11**
Year ended 30 September 2011					
Total other non-cash expenses[4]	3	2	2	3	10

1 The previous reporting segments of North America, Continental Europe, UK & Ireland and Rest of the World have become: North America, Europe & Japan and Fast Growing & Emerging. This change only affects the geographical segmental reporting structure of the results; there is no change to the consolidated financial statements.
2 Includes leased assets of £4 million (2011: £2 million) and capital creditors of £2 million (2011: £2 million).
3 Including the amortisation of intangibles arising on acquisition.
4 Other non-cash expenses are mainly comprised of share-based payments.

2 Operating costs

Total operating costs

Operating costs	Before European exceptional 2012 £m	European exceptional 2012 £m	Total 2012 £m	Before UK re-organisation 2011 £m	UK re-organisation 2011 £m	Total 2011 £m
Cost of food and materials:						
Cost of inventories consumed	**5,232**	**–**	**5,232**	5,013	–	5,013
Labour costs:						
Employee remuneration (note 3)	**7,710**	**100**	**7,810**	7,146	6	7,152
Overheads:						
Depreciation – owned property, plant and equipment	**169**	**26**	**195**	152	7	159
Depreciation – leased property, plant and equipment	**8**	**–**	**8**	8	–	8
Amortisation – owned intangible assets	**107**	**9**	**116**	94	15	109
Property lease rentals	**85**	**–**	**85**	82	3	*85*
Other occupancy rentals – minimum guaranteed rent	**77**	**–**	**77**	65	–	65
Other occupancy rentals – rent in excess of minimum guaranteed rent	**11**	**–**	**11**	15	–	15
Other asset rentals	**78**	**–**	**78**	72	–	72
Audit and non-audit services (see below)	**7**	**–**	**7**	7	–	7
Other expenses	**2,251**	**160**	**2,411**	2,094	24	2,118
Operating costs before costs relating to acquisitions	**15,735**	**295**	**16,030**	14,748	55	14,803
Amortisation – intangible assets arising on acquisition	**18**	**–**	**18**	12	–	12
Acquisition transaction costs	**9**	**–**	**9**	9	–	9
Adjustment to contingent consideration on acquisition	**–**	**–**	**–**	(1)	–	(1)
Total continuing operations	**15,762**	**295**	**16,057**	14,768	55	14,823

1 Impairment of goodwill recorded in the consolidated income statement of £2 million related to European exceptional (2011: £5 million related to UK re-organisation).
2 In 2011, with our ongoing desire to focus on our core activities, we decided to exit or run down a small number of non-core activities in the UK, including providing catering in hotels and mobile food units at sporting events. The overall loss of revenue was around £70 million. We took a £55 million exceptional cost, which was almost all non-cash. This included goodwill of £20 million shown as impairment of £5 million and disposal of £15 million (included within other expenses).

Audit and non-audit services	2012 £m	2011 £m
Audit services		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	**0.4**	0.4
Fees payable to the Company's Auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries and joint ventures pursuant to legislation	**4.0**	3.5
Total audit fees	**4.4**	3.9
Non-audit services		
Audit related assurance	**0.2**	0.2
Taxation compliance	**0.3**	0.3
Other tax advisory	**1.4**	1.5
Corporate finance services	**0.1**	0.9
Services relating to information technology	**0.2**	–
Other services	**0.2**	0.1
Total non-audit fees	**2.4**	3.0
Total audit and non-audit services		
Total audit and non-audit services	**6.8**	6.9

Notes to the consolidated financial statements

for the year ended 30 September 2012

2 Operating costs continued

Exceptional items

In the year ended 30 September 2012, the following exceptional items were recorded:

	2012 £m
Accelerated efficiencies	100
Asset write down	35
Disposals	40
Provisions for receivables/other operating provisions	120
Total exceptional items	295

In 2012, we announced a series of actions to improve the operational efficiency of our operations in Europe and address the very challenging conditions in Southern Europe. We have taken a £295 million exceptional cost of which £100 million is cash and £195 million predominantly non-cash. Of the £100 million, £20 million has been spent in the year to 30 September 2012. The remaining £195 million mainly relates to restructuring and streamlining our Southern European operations by making provisions for loss making contracts, providing for the non-recovery of certain debts, exiting a small number of non-core businesses, and the consolidation of office space and asset write downs.

3 Employees

Average number of employees, including Directors and part-time employees	2012 Number	2011 Number
North America	194,595	189,302
Europe & Japan	167,323	160,107
Fast Growing & Emerging	146,796	121,699
Total continuing operations	508,714	471,108

Aggregate remuneration of all employees including Directors	2012 £m	2011 £m
Wages and salaries	6,468	5,920
Social security costs	1,237	1,143
Share-based payments	11	10
Pension costs – defined contribution plans	77	58
Pension costs – defined benefit plans	17	21
Total continuing operations	7,810	7,152

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge within finance costs of £15 million (2011: net charge of £14 million).

The remuneration of Directors and key management personnel[1] is set out below. Additional information on Directors' and key management remuneration, share options, long-term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' Remuneration Report on pages 53 to 65 and forms part of these accounts.

Remuneration of key management personnel	2012 £m	2011 £m
Salaries	7.7	6.9
Other short-term employee remuneration	6.7	6.3
Share-based payments	5.3	4.4
Pension	2.3	2.1
Total	22.0	19.7

1 Key management personnel is defined as the Board of Directors and the Members of the Executive Committee. Since 2011, one new Member has been appointed to the Board of Directors.

4 Financing income, costs and related (gains)/losses

Finance income and costs are recognised in the income statement in the period in which they are earned or incurred.

Finance income and costs	2012 £m	2011 £m
Finance income		
Bank interest	9	4
Total finance income	9	4
Finance costs		
Interest on bank loans and overdrafts	6	7
Interest on other loans	69	51
Finance lease interest	2	2
Interest on bank loans, overdrafts, other loans and finance leases	77	60
Unwinding of discount on provisions	2	1
Amount charged to pension scheme liabilities net of expected return on scheme assets (note 24)	15	14
Total finance costs	94	75
Analysis of finance costs by defined IAS 39[1] category		
Fair value through profit or loss (unhedged derivatives)	3	1
Derivatives in a fair value hedge relationship	(31)	(31)
Derivatives in a net investment hedge relationship	5	5
Other financial liabilities	100	85
Interest on bank loans, overdrafts, other loans and finance leases	77	60
Fair value through profit or loss (unwinding of discount on provisions)	2	1
Outside of the scope of IAS 39 (net pension scheme charge)	15	14
Total finance costs	94	75

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 income statement in the period.

The Group had a small number of outstanding put options which have now matured. This enabled certain non-controlling Shareholders to require the Group to purchase the non-controlling interest shareholding at an agreed multiple of earnings. These options are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value which is re-evaluated at each period end. Fair value is based on the present value of expected cash outflows. The movement in fair value is included in the profit for the year.

Financing related (gains)/losses	2012 £m	2011 £m
Hedge accounting ineffectiveness		
Unrealised net (gains)/losses on unhedged derivative financial instruments[1]	1	2
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge[2]	(14)	4
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	19	(1)
Total hedge accounting ineffectiveness (gains)/losses	6	5
Change in the fair value of investments and non-controlling interest put options		
Change in the fair value of investments[1, 3]	(1)	–
Change in the fair value of non-controlling interest put options (credit)[1]	–	(2)
Total	(1)	(2)

1 Categorised as 'fair value through profit or loss' (IAS 39).
2 Categorised 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 24.

Notes to the consolidated financial statements

for the year ended 30 September 2012

5 Gain on disposal of US Corrections business

On 29 March 2012, the Group disposed of the assets related to its food and support services business in corrections facilities located in the United States. The disposal of these assets is in line with the Group's strategy of continuing to focus on core growth sectors. The gain arising on disposal, as set out in the table below, is included in profit from continuing operations for the year ended 30 September 2012. The assets and results of operations of the US Corrections business were included in the North America and the Defence, Offshore & Remote segments.

Gain on disposal of the US Corrections business	2012 £m	2011 £m
Gain on disposal of the US Corrections business	23	–
Tax on gain on disposal of US Corrections business	(10)	–
Net gain on disposal of US Corrections business	**13**	–

6 Gain on remeasurement of joint venture interest on acquisition of control

In 2011, the Group acquired the remaining 50% equity interest in Sofra Yemek Üretim Ve Hizmet A.S. ('Sofra') in Turkey from our former joint venture partner. Under International Financial Reporting Standard 3 'Business combinations' (revised 2008) ('IFRS 3 (2008)'), the interest previously held by the Group was remeasured to its fair value at the acquisition date. This resulted in a gain of £16 million arising on the revaluation of our existing interest which was recorded on a separate line in the income statement.

IFRS 3 (2008) requires that the interest should be treated on the same basis as would be required if the acquirer had disposed directly of the previously held interest and then reacquired it at fair value. Prior to the acquisition, the interest in Sofra was proportionally consolidated as explained in section D of the Group's accounting policies.

7 Tax

Recognised in the income statement: Income tax expense on continuing operations	Before European exceptional 2012 £m	European exceptional 2012 £m	Total 2012 £m	Before UK re-organisation 2011 £m	UK re-organisation 2011 £m	Total 2011 £m
Current tax						
Current year	295	(24)	271	272	(3)	269
Adjustment in respect of prior years	(21)	–	(21)	(47)	–	(47)
Current tax expense/(credit)	274	(24)	250	225	(3)	222
Deferred tax						
Current year	(2)	(48)	(50)	28	(6)	22
Impact of changes in statutory tax rates	6	–	6	4	–	4
Adjustment in respect of prior years	9	–	9	16	–	16
Deferred tax expense/(credit)	13	(48)	(35)	48	(6)	42
Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years	287	(72)	215	273	(9)	264
Current tax (credit) on exceptional recognition of tax losses arising in prior years	(19)	–	(19)	–	–	–
Deferred tax (credit) on exceptional recognition of tax losses arising in prior years	(18)	–	(18)	–	–	–
Total tax (credit) on exceptional recognition of tax losses arising in prior years	(37)	–	(37)	–	–	–
Total income tax						
Income tax expense/(credit) on continuing operations	250	(72)	178	273	(9)	264

The income tax expense for the year is based on the effective UK statutory rate of corporation tax for the period of 25% (2011: 27%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of the changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 26% to 24% from 1 April 2012 and 23% from 1 April 2013. These changes have resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

7 Tax continued

	Before European exceptional 2012 £m	European exceptional 2012 £m	Total 2012 £m	Before UK re-organisation 2011 £m	UK re-organisation 2011 £m	Total 2011 £m
Profit before tax from continuing operations	1,084	(295)	789	1,013	(55)	958
Notional income tax expense at the effective UK statutory rate of 25% (2011: 27%) on profit before tax	271	(74)	197	274	(15)	259
Effect of different tax rates of subsidiaries operating in other jurisdictions	88	(10)	78	58	–	58
Impact of changes in statutory tax rates	6	–	6	4	–	4
Permanent differences	(63)	7	(56)	(28)	6	(22)
Impact of share-based payments	(1)	–	(1)	3	–	3
Tax on profit of associates	(1)	–	(1)	(1)	–	(1)
Losses and other temporary differences not previously recognised	(6)	1	(5)	(11)	–	(11)
Unrelieved current year tax losses	5	4	9	5	–	5
Prior year items	(12)	–	(12)	(31)	–	(31)
Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years	287	(72)	215	273	(9)	264
Exceptional recognition of tax losses arising in prior years	(37)	–	(37)	–	–	–
Income tax expense on continuing operations	250	(72)	178	273	(9)	264

Tax (charged)/credited to other comprehensive income	2012 £m	2011 £m
Current and deferred tax (charges)/credits on actuarial and other movements on post-employment benefits	28	(5)
Current and deferred tax (charges) on foreign exchange movements	(1)	(3)
Tax (charges)/credits on items recognised in other comprehensive income	27	(8)

Tax credited to equity	2012 £m	2011 £m
Current and deferred tax credits in respect of share-based payments	7	3
Tax credits on items recognised in equity	7	3

Movement in net deferred tax asset/(liability)	Tax depreciation £m	Intangibles £m	Pensions and post-employment benefits £m	Tax losses £m	Self-funded insurance provisions £m	Net short-term temporary differences £m	Total £m
At 1 October 2010	28	(119)	150	12	55	155	281
(Charge)/credit to income	(18)	(20)	4	5	(1)	(14)	(44)
(Charge)/credit to equity/other comprehensive income	(1)	(1)	(15)	–	–	(3)	(20)
Business acquisitions	–	(17)	1	–	–	–	(16)
Other movements	–	(4)	3	1	–	1	1
Exchange adjustment	–	–	2	–	1	–	3
At 30 September 2011	9	(161)	145	18	55	139	205
At 1 October 2011	9	(161)	145	18	55	139	205
(Charge)/credit to income	(1)	(9)	2	7	5	47	51
(Charge)/credit to equity/other comprehensive income	–	–	17	–	–	1	18
Business acquisitions	–	(14)	2	–	–	2	(10)
Other movements	3	–	(1)	(2)	–	(2)	(2)
Exchange adjustment	1	8	(5)	(2)	(2)	(6)	(6)
At 30 September 2012	12	(176)	160	21	58	181	256

Net short-term temporary differences relate principally to provisions and other liabilities of overseas subsidiaries.

Notes to the consolidated financial statements

for the year ended 30 September 2012

7 Tax continued

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

Net deferred tax balance	2012 £m	2011 £m
Deferred tax assets	**296**	240
Deferred tax liabilities	**(40)**	(35)
Net deferred tax asset/(liability)	**256**	205

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £46 million (2011: £37 million). Of the total, tax losses of £30 million will expire at various dates between 2012 and 2022. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

As a result of changes to tax legislation, overseas dividends received on or after 1 July 2009 are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £325 million (2011: £289 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

8 Discontinued operations

Year ended 30 September 2012

The result for the year from discontinued operations was £nil.

Year ended 30 September 2011

The profit for the year from discontinued operations of £40 million arose on the release of provisions now deemed surplus (including income tax provisions) and a £2 million VAT refund relating to prior period disposals.

Financial performance of discontinued operations	2012 £m	2011 £m
Trading activities of discontinued operations		
External revenue	**–**	–
Operating (costs)/refund	**(1)**	2
(Loss)/profit before tax	**(1)**	2
Income tax credit	**–**	–
(Loss)/profit after tax	**(1)**	2
Disposal of net assets and other adjustments relating to discontinued operations		
Profit on disposal of net assets of discontinued operations	**–**	–
Release of surplus provisions and accruals related to discontinued operations[2]	**–**	5
Profit before tax	**–**	5
Income tax credit (see below)	**1**	33
Total profit after tax	**1**	38
Profit for the year from discontinued operations		
Profit for the year from discontinued operations	**–**	40

1 The trading activity in the years ended 30 September 2012 and 30 September 2011 relates to the final run-off activity in businesses earmarked for closure.
2 Released surplus provisions of £nil in the year ended 30 September 2012 (2011: £5 million).

Income tax from discontinued operations	2012 £m	2011 £m
Income tax on disposal of net assets and other adjustments relating to discontinued operations		
Current tax	**3**	35
Deferred tax	**(2)**	(2)
Income tax credit on disposal of net assets of discontinued operations	**1**	33

8 Discontinued operations continued

Net assets disposed and disposal proceeds	2012 £m	2011 £m
(Decrease) in retained liabilities[1]	(3)	–
Profit/(loss) on disposal before tax	–	–
Consideration, net of costs	(3)	–
Consideration deferred to future periods	–	–
Cash disposed of	–	–
Cash (outflow) from current year disposals	(3)	–
Deferred consideration and other payments relating to previous disposals	–	–
Cash (outflow) from disposals	(3)	–

1 Includes the utilisation of disposal provisions of £3 million in the year ended 30 September 2012 (2011: £nil).

9 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 year. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued operations, European exceptional, the UK re-organisation, gain on the disposal of the US Corrections business, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness, the change in the fair value of investments and non-controlling interest put options, gain on remeasurement of joint venture interest on acquisition of control, the tax attributable to these amounts and the exceptional recognition of tax losses. These items are excluded in order to show the underlying trading performance of the Group.

Attributable profit	2012 Attributable profit £m	2011 Attributable profit £m
Profit for the year attributable to equity shareholders of the Company	605	728
Less: Profit for the year from discontinued operations	–	(40)
Attributable profit for the year from continuing operations	605	688
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	14	8
Add back: Acquisition transaction costs (net of tax)	8	8
Less: Adjustment to contingent consideration on acquisition (net of tax)	–	(1)
Less: Change in the fair value of investments and non-controlling interest put options (net of tax)	(1)	(2)
Add back: European exceptional (net of tax)	223	–
Add back: UK re-organisation (net of tax)	–	46
Less: Gain on disposal of US Corrections business (net of tax)	(13)	–
Less: Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	–	(13)
Add back: Loss from hedge accounting ineffectiveness (net of tax)	4	4
Less: Exceptional recognition of tax losses	(37)	–
Underlying attributable profit for the year from continuing operations	803	738

Average number of shares (millions of ordinary shares of 10p each)	2012 Ordinary shares of 10p each millions	2011 Ordinary shares of 10p each millions
Average number of shares for basic earnings per share	1,884	1,892
Dilutive share options	10	13
Average number of shares for diluted earnings per share	1,894	1,905

Notes to the consolidated financial statements

for the year ended 30 September 2012

9 Earnings per share continued

	2012 Earnings per share pence	2011 Earnings per share pence
Basic earnings per share (pence)		
From continuing and discontinued operations	**32.1**	38.5
From discontinued operations	**–**	(2.1)
From continuing operations	**32.1**	36.4
Amortisation of intangible assets arising on acquisition (net of tax)	**0.8**	0.4
Acquisition transaction costs (net of tax)	**0.4**	0.4
Adjustment to contingent consideration on acquisition (net of tax)	**–**	–
Change in the fair value of investments and non-controlling interest put options (net of tax)	**–**	(0.1)
European exceptional (net of tax)	**11.8**	–
UK re-organisation (net of tax)	**–**	2.4
Gain on disposal of US Corrections business (net of tax)	**(0.7)**	–
Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	**–**	(0.7)
Hedge accounting ineffectiveness (net of tax)	**0.2**	0.2
Exceptional recognition of tax losses	**(2.0)**	–
From underlying continuing operations	**42.6**	39.0
Diluted earnings per share (pence)		
From continuing and discontinued operations	**31.9**	38.2
From discontinued operations	**–**	(2.1)
From continuing operations	**31.9**	36.1
Amortisation of intangible assets arising on acquisition (net of tax)	**0.8**	0.4
Acquisition transaction costs (net of tax)	**0.4**	0.4
Adjustment to contingent consideration on acquisition (net of tax)	**–**	–
Change in the fair value of investments and non-controlling interest put options (net of tax)	**–**	(0.1)
European exceptional (net of tax)	**11.8**	–
UK re-organisation (net of tax)	**–**	2.4
Gain on disposal of US Corrections business (net of tax)	**(0.7)**	–
Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	**–**	(0.7)
Hedge accounting ineffectiveness (net of tax)	**0.2**	0.2
Exceptional recognition of tax losses	**(2.0)**	–
From underlying continuing operations	**42.4**	38.7

10 Dividends

A final dividend in respect of 2012 of 14.1 pence per share, £262 million in aggregate[1], has been proposed, giving a total dividend in respect of 2012 of 21.3 pence per share (2011: 19.3 pence per share). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting on 7 February 2013 and has not been included as a liability in these financial statements.

	2012		2011	
Dividends on ordinary shares of 10p each	Dividends per share pence	£m	Dividends per share pence	£m
Amounts recognised as distributions to equity shareholders during the year:				
Final dividend for the prior year	**12.8p**	**243**	12.5p	236
Interim dividend for the current year	**7.2p**	**135**	6.5p	124
Total dividends	**20.0p**	**378**	19.0p	360

1 Based on the number of shares in issue at 30 September 2012 (1,855 million shares).

11 Goodwill

During the year the Group made a number of acquisitions. See note 27 for more details.

Goodwill	£m
Cost	
At 1 October 2010	3,940
Additions	234
Business disposals – other activities	(17)
Currency adjustment	15
At 30 September 2011	4,172
At 1 October 2011	**4,172**
Additions	**91**
Business disposals – other activities	**(22)**
Currency adjustment	**(90)**
At 30 September 2012	**4,151**
Impairment	
At 1 October 2010	107
Impairment charge recognised in the year	5
At 30 September 2011	112
At 1 October 2011	**112**
Impairment charge recognised in the year	**2**
At 30 September 2012	**114**
Net book value	
At 30 September 2011	4,060
At 30 September 2012	**4,037**

Goodwill acquired in a business combination is allocated at acquisition to each cash-generating unit ('CGU') that is expected to benefit from that business combination. A summary of the goodwill allocation by business segment is shown below.

Goodwill by business segment	2012 £m	2011 £m
USA	**1,174**	1,248
Rest of North America	**155**	152
Total North America	**1,329**	1,400
UK	**1,803**	1,778
Rest of Europe & Japan	**485**	495
Total Europe & Japan	**2,288**	2,273
Fast Growing & Emerging	**420**	387
Total	**4,037**	4,060

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a CGU is determined from value in use calculations. The key assumptions for these calculations are long-term growth rates, and pre-tax discount rates, and use cash flow forecasts derived from the most recent financial budgets and forecasts approved by management covering a five-year period. 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.

Notes to the consolidated financial statements

for the year ended 30 September 2012

11 Goodwill continued

Growth and discount rates	2012 Residual growth rates	2012 Pre-tax discount rates	2011 Residual growth rates	2011 Pre-tax discount rates
USA	**2.2%**	**9.9%**	2.5%	9.3%
Rest of North America	**2.2%**	**8.8%**	2.5%	8.5%
UK	**2.3%**	**9.0%**	3.4%	9.4%
Rest of Europe & Japan	**0.3-3.0%**	**7.3-16.8%**	0.8-2.5%	6.6-12.0%
Fast Growing & Emerging	**2.2-7.9%**	**8.5-18.8%**	2.3-5.9%	8.2-14.5%

Given the current economic climate, a sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be reasonably possible by management. For the UK, to which goodwill of £1,803 million is allocated, an increase in the discount rate of 0.2% or a decrease in the long-term growth rate of 0.2% would eliminate the headroom of approximately £46 million under each scenario. There are no other CGUs that are sensitive to reasonably possible changes in key assumptions.

In 2011, for the UK, to which goodwill of £1,778 million was allocated, an increase in the discount rate of 0.7% or a decrease in the long-term growth rate of 0.8% would have eliminated the headroom of approximately £280 million under each scenario.

12 Other intangible assets

Other intangible assets	Computer software £m	Contract and other intangibles: Arising on acquisition £m	Contract and other intangibles: Other £m	Total £m
Cost				
At 1 October 2010	240	127	650	1,017
Additions	19	–	107	126
Disposals	(24)	(19)	(57)	(100)
Business acquisitions	4	168	–	172
Reclassified	4	–	(4)	–
Currency adjustment	1	(5)	4	–
At 30 September 2011	244	271	700	1,215
At 1 October 2011	**244**	**271**	**700**	**1,215**
Additions	**23**	**–**	**131**	**154**
Disposals	**(40)**	**–**	**(64)**	**(104)**
Business acquisitions	**–**	**96**	**–**	**96**
Reclassified	**4**	**–**	**2**	**6**
Currency adjustment	**(9)**	**(13)**	**(25)**	**(47)**
At 30 September 2012	**222**	**354**	**744**	**1,320**
Amortisation				
At 1 October 2010	152	16	279	447
Charge for the year	31	12	78	121
Disposals	(19)	–	(49)	(68)
Reclassified	–	–	(5)	(5)
Currency adjustment	1	(1)	1	1
At 30 September 2011	165	27	304	496
At 1 October 2011	**165**	**27**	**304**	**496**
Charge for the year	**29**	**18**	**87**	**134**
Disposals	**(38)**	**–**	**(58)**	**(96)**
Reclassified	**2**	**–**	**–**	**2**
Currency adjustment	**(6)**	**(2)**	**(12)**	**(20)**
At 30 September 2012	**152**	**43**	**321**	**516**
Net book value				
At 30 September 2011	79	244	396	719
At 30 September 2012	**70**	**311**	**423**	**804**

Contract-related intangible assets, other than those arising on acquisition, result from payments made by the Group in respect of client contracts and generally arise where it is economically more efficient for a client to purchase assets used in the performance of the contract and for the Group to fund these purchases.

13 Property, plant and equipment

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 October 2010	261	871	476	1,608
Additions[1]	26	143	77	246
Disposals	(8)	(64)	(56)	(128)
Business disposals – other activities	–	–	–	–
Business acquisitions	6	15	6	27
Reclassified	–	(12)	9	(3)
Currency adjustment	5	(3)	(2)	–
At 30 September 2011	290	950	510	1,750
At 1 October 2011	**290**	**950**	**510**	**1,750**
Additions[1]	**22**	**155**	**63**	**240**
Disposals	**(9)**	**(71)**	**(36)**	**(116)**
Business disposals – other activities	**(1)**	**(2)**	**(3)**	**(6)**
Business acquisitions	**4**	**10**	**1**	**15**
Reclassified	**5**	**(9)**	**5**	**1**
Currency adjustment	**(10)**	**(39)**	**(21)**	**(70)**
At 30 September 2012	**301**	**994**	**519**	**1,814**
Depreciation				
At 1 October 2010	143	561	323	1,027
Charge for the year	17	96	54	167
Disposals	(6)	(53)	(46)	(105)
Business disposals – other activities	–	–	–	–
Reclassified	–	(1)	4	3
Currency adjustment	4	(1)	–	3
At 30 September 2011	158	602	335	1,095
At 1 October 2011	**158**	**602**	**335**	**1,095**
Charge for the year	**30**	**111**	**62**	**203**
Disposals	**(7)**	**(57)**	**(30)**	**(94)**
Business disposals – other activities	**–**	**(1)**	**(3)**	**(4)**
Reclassified	**(1)**	**2**	**4**	**5**
Currency adjustment	**(6)**	**(25)**	**(12)**	**(43)**
At 30 September 2012	**174**	**632**	**356**	**1,162**
Net book value				
At 30 September 2011	132	348	175	655
At 30 September 2012	**127**	**362**	**163**	**652**

1 Includes leased assets of £4 million (2011: £2 million).

The net book amount of the Group's property, plant and equipment includes assets held under finance leases as follows:

Property, plant and equipment held under finance leases	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 30 September 2011	8	15	2	25
At 30 September 2012	**7**	**11**	**2**	**20**

Notes to the consolidated financial statements

for the year ended 30 September 2012

14 Interests in associates

Significant interests in associates are:

	Country of incorporation	2012 % ownership	2011 % ownership
Twickenham Experience Ltd	England & Wales	**40%**	40%
Oval Events Limited	England & Wales	**25%**	25%
AEG Facilities, LLC	USA	**49%**	49%
Thompson Hospitality Services LLC	USA	**49%**	49%

Interests in associates	2012 £m	2011 £m
Net book value		
At 1 October	**79**	32
Additions	**7**	47
Share of profits less losses (net of tax)	**8**	6
Dividends received	**(8)**	(7)
Currency and other adjustments	**(4)**	1
At 30 September	**82**	79

The Group's share of revenues and profits is included below:

Associates	2012 £m	2011 £m
Share of revenue and profits		
Revenue	**43**	40
Expenses/taxation[1]	**(35)**	(34)
Profit after tax for the year	**8**	6
Share of net assets		
Goodwill	**30**	24
Other	**52**	55
Net assets	**82**	79
Share of contingent liabilities		
Contingent liabilities	**(5)**	(6)

1 Expenses include the relevant portion of income tax recorded by associates.

15 Other investments

	2012 £m	2011 £m
Net book value		
At 1 October	**41**	37
Additions	**3**	2
Disposals	**(1)**	–
Business acquisitions	**1**	1
Currency and other adjustments	**2**	1
At 30 September	**46**	41
Comprised of		
Investment in Au Bon Pain[1, 3]	**7**	8
Other investments[1, 3]	**9**	9
Life insurance policies and mutual fund investments[1, 2, 3]	**30**	24
Total	**46**	41

1 Categorised as 'available for sale' financial assets (IAS 39).
2 Life insurance policies and mutual fund investments used by overseas companies to meet the cost of unfunded post-employment benefit obligations as set out in note 24.
3 As per the fair value hierarchies explained in note 21, the investment in Au Bon Pain is Level 3, other investments are Level 1 and the life insurance policies are Level 2.

16 Joint ventures

Principal joint ventures	Country of incorporation	2012 % ownership	2011 % ownership
Quadrant Catering Ltd	England & Wales	**49%**	49%
ADNH-Compass Middle East LLC	United Arab Emirates	**50%**	50%
Express Support Services Limitada	Angola	**50%**	50%

During 2011 the Group acquired the remaining 50.01% of Sofra Yemek Üretim Ve Hizmet A.S. The results of this joint venture are included in 2011 up until the point of acquisition.

None of these investments is 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.

The share of the revenue, profits, assets and liabilities of the joint ventures included in the consolidated financial statements is as follows:

Joint ventures	2012 £m	2011 £m
Share of revenue and profits		
Revenue	**195**	292
Expenses	**(175)**	(266)
Profit after tax for the year	**20**	26
Share of net assets		
Non-current assets	**5**	6
Current assets	**74**	87
Non-current liabilities	**–**	(6)
Current liabilities	**(47)**	(53)
Net assets	**32**	34
Share of contingent liabilities		
Contingent liabilities	**19**	23

17 Trade and other receivables

Trade and other receivables	2012 Current £m	2012 Non-current £m	2012 Total £m	2011 Current £m	2011 Non-current £m	2011 Total £m
Net book value						
At 1 October	**2,030**	**77**	**2,107**	1,830	72	1,902
Net movement	**163**	**18**	**181**	212	6	218
Currency adjustment	**(79)**	**(5)**	**(84)**	(12)	(1)	(13)
At 30 September	**2,114**	**90**	**2,204**	2,030	77	2,107
Comprised of						
Trade receivables	**1,900**	**4**	**1,904**	1,807	5	1,812
Less: Provision for impairment of trade receivables	**(99)**	**–**	**(99)**	(74)	(1)	(75)
Net trade receivables[1]	**1,801**	**4**	**1,805**	1,733	4	1,737
Other receivables	**59**	**74**	**133**	75	61	136
Less: Provision for impairment of other receivables	**(8)**	**–**	**(8)**	(8)	–	(8)
Net other receivables	**51**	**74**	**125**	67	61	128
Accrued income	**163**	**–**	**163**	132	–	132
Prepayments	**99**	**12**	**111**	98	12	110
Trade and other receivables	**2,114**	**90**	**2,204**	2,030	77	2,107

1 Categorised as 'loans and receivables' financial assets (IAS 39).

Consolidated financial statements

Notes to the consolidated financial statements

for the year ended 30 September 2012

17 Trade and other receivables continued

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. 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 for the continuing business at 30 September 2012 were 46 days (2011: 48 days).

The ageing of gross trade receivables and of the provision for impairment is as follows:

	2012					
Trade receivables	**Not yet due £m**	**0-3 months overdue £m**	**3-6 months overdue £m**	**6-12 months overdue £m**	**Over 12 months overdue £m**	**Total £m**
Gross trade receivables	**1,467**	**329**	**49**	**21**	**38**	**1,904**
Less: Provision for impairment of trade receivables	**(4)**	**(10)**	**(31)**	**(19)**	**(35)**	**(99)**
Net trade receivables	**1,463**	**319**	**18**	**2**	**3**	**1,805**

	2011					
Trade receivables	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	Total £m
Gross trade receivables	1,387	312	52	23	38	1,812
Less: Provision for impairment of trade receivables	(2)	(7)	(34)	(12)	(20)	(75)
Net trade receivables	1,385	305	18	11	18	1,737

Movements in the provision for impairment of trade and other receivables are as follows:

	2012			2011		
Provision for impairment of trade and other receivables	**Trade £m**	**Other £m**	**Total £m**	Trade £m	Other £m	Total £m
At 1 October	**75**	**8**	**83**	79	8	87
Charged to income statement	**51**	**–**	**51**	18	1	19
Credited to income statement	**(15)**	**(1)**	**(16)**	(7)	–	(7)
Utilised	**(14)**	**–**	**(14)**	(14)	–	(14)
Business acquisitions	**–**	**1**	**1**	–	–	–
Reclassified	**–**	**–**	**–**	(1)	(1)	(2)
Currency adjustment	**2**	**–**	**2**	–	–	–
At 30 September	**99**	**8**	**107**	75	8	83

At 30 September 2012, trade receivables of £342 million (2011: £352 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.

18 Inventories

Inventories	2012 £m	2011 £m
Net book value		
At 1 October	**270**	238
Net movement	**1**	32
Currency adjustment	**(10)**	–
At 30 September	**261**	270

19 Cash and cash equivalents

Cash and cash equivalents	2012 £m	2011 £m
Cash at bank and in hand	**284**	224
Short-term bank deposits	**444**	886
Cash and cash equivalents[1]	**728**	1,110

1 Categorised as 'loans and receivables' financial assets (IAS 39).

Cash and cash equivalents by currency	2012 £m	2011 £m
Sterling	**456**	846
US Dollar	**50**	64
Euro	**31**	54
Japanese Yen	**13**	10
Other	**178**	136
Cash and cash equivalents	**728**	1,110

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 21. The book value of cash and cash equivalents represents the maximum credit exposure.

20 Short and long-term borrowings

	2012			2011		
Short and long-term borrowings	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	**58**	**–**	**58**	45	–	45
Bank loans	**11**	**52**	**63**	29	54	83
Loan notes	**–**	**872**	**872**	294	889	1,183
Bonds	**–**	**764**	**764**	334	280	614
Borrowings (excluding finance leases)	**69**	**1,688**	**1,757**	702	1,223	1,925
Finance leases	**8**	**20**	**28**	9	24	33
Borrowings (including finance leases)[1]	**77**	**1,708**	**1,785**	711	1,247	1,958

1 Categorised as 'other financial liabilities' (IAS 39).

Bank overdrafts principally arise as a result of uncleared transactions. Interest on bank overdrafts is calculated at the relevant money market rates.

All amounts due under bonds, loan notes and bank facilities are shown net of unamortised issue costs.

Notes to the consolidated financial statements

for the year ended 30 September 2012

20 Short and long-term borrowings continued

The Group has fixed term, fixed interest private placements totalling US$1,282 million (£794 million) at interest rates between 3.31% and 6.72%. The carrying value of these US Dollar denominated loan notes is £835 million. It also has a Sterling denominated private placement of £35 million with a carrying value of £37 million at an interest rate of 7.55%.

	Nominal value	Redeemable	Interest
US$ private placement	$105m	Oct 2013	6.45%
US$ private placement	$15m	Nov 2013	5.67%
US$ private placement	$162m	Oct 2015	6.72%
Sterling private placement	£35m	Oct 2016	7.55%
US$ private placement	$250m	Oct 2018	3.31%
US$ private placement	$398m	Oct 2021	3.98%
US$ private placement	$352m	Oct 2023	4.12%

In addition, the Group has a Sterling denominated Eurobond of £250 million at an interest rate of 7.0%, redeemable in December 2014 and a Euro denominated Eurobond of €600 million at an interest rate of 3.125%, redeemable in February 2019. The carrying value of these bonds is £764 million. The £250 million bond is recorded at its fair value to the Group on acquisition.

Bonds	Nominal value	Redeemable	Interest
Sterling Eurobond	£250m	Dec 2014	7.00%
Euro Eurobond	€600m	Feb 2019	3.125%

The maturity profile of borrowings (excluding finance leases) is as follows:

Maturity profile of borrowings (excluding finance leases)	**2012 £m**	2011 £m
Within 1 year or on demand	**69**	702
Between 1 and 2 years	**80**	4
Between 2 and 3 years	**274**	81
Between 3 and 4 years	**154**	281
Between 4 and 5 years	**37**	157
In more than 5 years	**1,143**	700
Borrowings (excluding finance leases)	**1,757**	1,925

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 table below shows the fair value of borrowings excluding accrued interest:

	2012		2011	
Carrying value and fair value of borrowings (excluding finance leases)	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m
Bank overdrafts	**58**	**58**	45	45
Bank loans	**63**	**63**	83	83
Loan notes	**872**	**890**	1,183	1,182
£325m Eurobond May 2012	**–**	**–**	334	337
£250m Eurobond Dec 2014	**274**	**281**	280	284
€600m Eurobond Feb 2019	**490**	**510**	–	–
Bonds	**764**	**791**	614	621
Borrowings (excluding finance leases)	**1,757**	**1,802**	1,925	1,931

20 Short and long-term borrowings continued

Gross and present value of finance lease liabilities	2012 Gross value £m	2012 Present value £m	2011 Gross value £m	2011 Present value £m
Finance lease payments falling due:				
Within 1 year	**8**	**8**	10	9
Between 1 and 5 years	**17**	**16**	15	15
In more than 5 years	**4**	**4**	10	9
	29	**28**	35	33
Less: Future finance charges	**(1)**	**–**	(2)	–
Gross and present value of finance lease liabilities	**28**	**28**	33	33

Borrowings by currency	2012 Borrowings £m	2012 Finance leases £m	2012 Total £m	2011 Borrowings £m	2011 Finance leases £m	2011 Total £m
Sterling	**360**	**2**	**362**	696	–	696
US Dollar	**885**	**4**	**889**	1,184	9	1,193
Euro	**503**	**16**	**519**	14	18	32
Japanese Yen	**–**	**4**	**4**	1	–	1
Other	**9**	**2**	**11**	30	6	36
Total	**1,757**	**28**	**1,785**	1,925	33	1,958

The Group had the following undrawn committed facilities available at 30 September, in respect of which all conditions precedent had then been met:

Undrawn committed facilities	2012 £m	2011 £m
Expiring between 1 and 5 years	**700**	700

21 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 19; debt, which includes the borrowings disclosed in note 20; and equity attributable to equity Shareholders of the Parent Company, 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

The Group finances its borrowings from a number of sources including the bank, the public markets 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.

Notes to the consolidated financial statements

for the year ended 30 September 2012

21 Derivative financial instruments continued

Foreign currency risk

The Group's policy is to match, as far as possible, 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 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 either 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.

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. The table below 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.

	2012			2011		
Financial instruments: Impact of Sterling strengthening by 10%	**Against US Dollar £m**	**Against Euro £m**	**Against Japanese Yen £m**	Against US Dollar £m	Against Euro £m	Against Japanese Yen £m
Increase/(decrease) in profit for the year (after tax)	**1**	**(1)**	**–**	1	–	–
Increase/(decrease) in total equity	**65**	**17**	**5**	55	18	6

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.

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 £3 million (2011: loss of £1 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.

21 Derivative financial instruments continued

Interest rate sensitivity analysis	2012 Sterling £m	US Dollar £m	Euro £m	Japanese Yen £m	Other £m	Total £m
Increase in interest rate	**+1%**	**+1%**	**+1%**	**+1%**	**+1%**	**N/A**
Floating rate exposure – cash/(debt)	**24**	**(355)**	**23**	**(53)**	**44**	**(317)**
Increase/(decrease) in profit for the year (after tax)	**–**	**(3)**	**–**	**–**	**–**	**(3)**

Interest rate sensitivity analysis	2011 Sterling £m	US Dollar £m	Euro £m	Japanese Yen £m	Other £m	Total £m
Increase in interest rate	+1%	+1%	+1%	+1%	+1%	N/A
Floating rate exposure – cash/(debt)	115	(108)	(71)	(53)	44	(73)
Increase/(decrease) in profit for the year (after tax)	1	(1)	(1)	–	–	(1)

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

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 (including forward currency contracts and cross currency swaps) 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 and the long-term credit rating of the counterparty's country of domicile. 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.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 17.

Hedging activities

The following section describes the derivative financial instruments which the Group uses to apply the interest rate and foreign currency hedging strategies described above.

Fair value hedges

The Group uses 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. These interest rate swaps all qualify for fair value hedge accounting as defined by IAS 39.

Cash flow hedges

The Group uses interest rate swaps to hedge the cash flows from floating rate borrowings. These instruments swap floating interest payable on these borrowings into fixed interest rates and hedge against cash flow changes caused by changing interest rates. The cash flows and income statement impact hedged in this manner will occur within three years of the balance sheet date.

These interest rate swaps do not qualify for cash flow hedge accounting as defined by IAS 39 because the Group creates synthetic floating rate foreign currency borrowings (see net investment hedges below) through the use of forward currency contracts and cross currency swaps which IAS 39 prohibits from being designated as hedged items.

These interest rate swaps are an effective economic hedge against the exposure of the Group's floating rate borrowings to interest rate risk.

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 fair value of debt in a net investment hedge was £1,123 million (2011: £911 million).

Notes to the consolidated financial statements

for the year ended 30 September 2012

21 Derivative financial instruments continued

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.

Fair value measurement

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have significant effect on the recorded fair value that are not based on observable market data

All derivative financial instruments are shown at fair value in the balance sheet. The fair values have been determined by reference to Level 2 techniques in the hierarchy described above. The fair values of derivative financial instruments represent the maximum credit exposure.

Derivative financial instruments	2012 Current assets £m	2012 Non-current assets £m	2012 Current liabilities £m	2012 Non-current liabilities £m	2011 Current assets £m	2011 Non-current assets £m	2011 Current liabilities £m	2011 Non-current liabilities £m
Interest rate swaps:								
Fair value hedges[1]	–	84	–	–	19	62	–	–
Not in a hedging relationship[2]	–	–	(2)	(1)	–	–	(2)	(2)
Other derivatives:								
Forward currency contracts and cross currency swaps	1	1	(1)	(1)	10	–	(1)	(1)
Others	1	2	–	–	–	2	–	–
Total	2	87	(3)	(2)	29	64	(3)	(3)

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).

Notional amount of derivative financial instruments by currency	2012 Fair value swaps £m	2012 Cash flow swaps £m	2011 Fair value swaps £m	2011 Cash flow swaps £m
Sterling	220	–	545	–
US Dollar	497	62	642	109
Euro	359	68	–	138
Japanese Yen	–	47	–	70
Other	–	92	–	77
Total	1,076	269	1,187	394

Effective currency denomination of borrowings after the effect of derivatives	2012 Gross borrowings £m	2012 Forward currency contracts[1] £m	2012 Effective currency of borrowings £m	2011 Gross borrowings £m	2011 Forward currency contracts[1] £m	2011 Effective currency of borrowings £m
Sterling	362	163	525	696	139	835
US Dollar	889	(80)	809	1,193	(506)	687
Euro	519	(312)	207	32	193	225
Japanese Yen	4	55	59	1	65	66
Other	11	174	185	36	101	137
Total	1,785	–	1,785	1,958	(8)	1,950

1 Includes cross currency swaps.

21 Derivative financial instruments continued

Gross debt maturity analysis	2012 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
Fixed interest							
€600m Eurobond 2019	–	–	–	–	–	473	473
£250m Eurobond 2014	–	–	250	–	–	–	250
US private placements	–	74	–	100	35	618	827
Bank loans	–	–	–	–	–	–	–
Total fixed interest	–	74	250	100	35	1,091	1,550
Cash flow swaps (fixed leg)	173	96	–	–	–	–	269
Fair value swaps (fixed leg)	–	(65)	(200)	(59)	(20)	(732)	(1,076)
Fixed interest (asset)/liability	173	105	50	41	15	359	743
Floating interest							
Bank loans	11	4	–	48	–	–	63
Overdrafts	58	–	–	–	–	–	58
Total floating interest	69	4	–	48	–	–	121
Cash flow swaps (floating leg)	(173)	(96)	–	–	–	–	(269)
Fair value swaps (floating leg)	–	65	200	59	20	732	1,076
Floating interest (asset)/liability	(104)	(27)	200	107	20	732	928
Other							
Finance lease obligations	8	7	4	3	2	4	28
Fair value adjustments to borrowings[2]	–	2	24	6	2	52	86
Swap monetisation[2]	–	–	–	–	–	–	–
Other (asset)/liability	8	9	28	9	4	56	114
Gross debt excluding derivatives	77	87	278	157	39	1,147	1,785
Derivative financial instruments							
Derivative financial instruments[1]	1	(4)	(28)	(8)	(2)	(43)	(84)
Forward currency contracts and cross currency swaps[2]	–	–	–	–	–	–	–
Gross debt	78	83	250	149	37	1,104	1,701

1 Non-cash item (changes in the value of this non-cash item are reported within other non-cash movements in note 30).
2 Non-cash item (changes in the value of this non-cash item are reported within currency translation gains/(losses) in note 30).

Principal and interest maturity analysis	2012 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
Gross debt	78	83	250	149	37	1,104	1,701
Less: Overdrafts	(58)	–	–	–	–	–	(58)
Less: Fees and premiums capitalised on issue	(2)	(1)	(1)	(1)	(1)	(2)	(8)
Less: Other non-cash items	(1)	2	4	2	–	(9)	(2)
Repayment of principal	17	84	253	150	36	1,093	1,633
Interest cash flows on debt and derivatives (settled net)	78	74	69	48	40	131	440
Settlement of forward currency contracts and cross currency swaps – payable leg	(223)	–	–	–	(50)	(239)	(512)
Settlement of forward currency contracts and cross currency swaps – receivable leg	224	–	–	–	49	251	524
Repayment of principal and interest	96	158	322	198	75	1,236	2,085

Notes to the consolidated financial statements

for the year ended 30 September 2012

21 Derivative financial instruments continued

	2011						
Gross debt maturity analysis	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
Fixed interest							
£325m Eurobond 2012	325	–	–	–	–	–	325
£250m Eurobond 2014	–	–	–	250	–	–	250
US private placements	289	–	77	–	104	675	1,145
Bank loans	–	–	–	–	–	–	–
Total fixed interest	614	–	77	250	104	675	1,720
Cash flow swaps (fixed leg)	201	193	–	–	–	–	394
Fair value swaps (fixed leg)	(453)	–	(67)	(200)	(61)	(406)	(1,187)
Fixed interest (asset)/liability	362	193	10	50	43	269	927
Floating interest							
Bank loans	29	4	–	1	47	2	83
Overdrafts	45	–	–	–	–	–	45
Total floating interest	74	4	–	1	47	2	128
Cash flow swaps (floating leg)	(201)	(193)	–	–	–	–	(394)
Fair value swaps (floating leg)	453	–	67	200	61	406	1,187
Floating interest (asset)/liability	326	(189)	67	201	108	408	921
Other							
Finance lease obligations	9	7	3	3	2	9	33
Fair value adjustments to borrowings[2]	12	–	4	30	6	23	75
Swap monetisation[2]	2	–	–	–	–	–	2
Other (asset)/liability	23	7	7	33	8	32	110
Gross debt excluding derivatives	711	11	84	284	159	709	1,958
Derivative financial instruments							
Derivative financial instruments[1]	(17)	–	(5)	(29)	(8)	(20)	(79)
Forward currency contracts and cross currency swaps[2]	(9)	–	–	–	1	–	(8)
Gross debt	685	11	79	255	152	689	1,871

1 Non-cash item (changes in the value of this non-cash item are reported within other non-cash movements in note 30).
2 Non-cash item (changes in the value of this non-cash item are reported within currency translation gains/(losses) in note 30).

	2011						
Principal and interest maturity analysis	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
Gross debt	685	11	79	255	152	689	1,871
Less: Overdrafts	(45)	–	–	–	–	–	(45)
Less: Fees and premiums capitalised on issue	1	–	–	–	3	2	6
Less: Other non-cash items	12	–	1	(1)	1	(3)	10
Repayment of principal	653	11	80	254	156	688	1,842
Interest cash flows on debt and derivatives (settled net)	110	61	57	54	29	124	435
Settlement of forward currency contracts and cross currency swaps – payable leg	69	–	–	–	51	–	120
Settlement of forward currency contracts and cross currency swaps – receivable leg	(68)	–	–	–	(50)	–	(118)
Repayment of principal and interest	764	72	137	308	186	812	2,279

22 Trade and other payables

Trade and other payables	2012 Current £m	2012 Non-current £m	2012 Total £m	2011 Current £m	2011 Non-current £m	2011 Total £m
Net book value						
At 1 October	**2,900**	**39**	**2,939**	2,683	34	2,717
Net movement	**216**	**(1)**	**215**	216	5	221
Currency adjustment	**(106)**	**–**	**(106)**	1	–	1
At 30 September	**3,010**	**38**	**3,048**	2,900	39	2,939
Comprised of						
Trade payables[1]	**1,310**	**2**	**1,312**	1,292	3	1,295
Social security and other taxes	**306**	**–**	**306**	279	–	279
Other payables	**148**	**19**	**167**	158	19	177
Deferred consideration on acquisitions[1]	**7**	**11**	**18**	23	10	33
Accruals[2]	**952**	**6**	**958**	942	7	949
Deferred income	**281**	**–**	**281**	206	–	206
Amounts owed to associates[3]	**6**	**–**	**6**	–	–	–
Trade and other payables	**3,010**	**38**	**3,048**	2,900	39	2,939

1 Categorised as 'other financial liabilities' (IAS 39).
2 Of this balance £315 million (2011: £334 million) is categorised as 'other financial liabilities' (IAS 39).
3 Categorised as 'loans and receivables' financial assets (IAS 39).

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 for the continuing business at 30 September 2012 were 67 days (2011: 69 days).

23 Provisions

Provisions	Insurance £m	Provisions in respect of discontinued and disposed businesses £m	Onerous contracts £m	Legal and other claims £m	Re-organisation £m	Other £m	Total £m
At 1 October 2010	177	66	44	129	5	11	432
Reclassified[1]	–	–	(6)	8	–	(2)	–
Expenditure in the year	(4)	(7)	(7)	(6)	(4)	(9)	(37)
Charged to income statement	27	–	11	20	6	8	72
Credited to income statement	–	(5)	(3)	(17)	–	(3)	(28)
Fair value adjustments arising on acquisitions	–	–	–	(1)	–	–	(1)
Business acquisitions	–	–	1	–	–	1	2
Unwinding of discount on provisions	–	–	1	(1)	–	–	–
Currency adjustment	1	–	–	(2)	–	–	(1)
At 30 September 2011	201	54	41	130	7	6	439
At 1 October 2011	**201**	**54**	**41**	**130**	**7**	**6**	**439**
Reclassified[1]	**(1)**	**1**	**–**	**–**	**–**	**–**	**–**
Expenditure in the year	**(9)**	**(3)**	**(9)**	**(37)**	**(13)**	**(2)**	**(73)**
Charged to income statement	**33**	**29**	**53**	**23**	**101**	**55**	**294**
Credited to income statement	**–**	**(29)**	**(6)**	**(4)**	**–**	**(5)**	**(44)**
Fair value adjustments arising on acquisitions (note 26)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Business acquisitions	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Unwinding of discount on provisions	**–**	**–**	**2**	**–**	**–**	**–**	**2**
Currency adjustment	**(7)**	**–**	**(2)**	**(7)**	**(2)**	**2**	**(16)**
At 30 September 2012	**217**	**52**	**79**	**105**	**94**	**56**	**603**

1 Including items reclassified from accrued liabilities and other balance sheet captions.

Notes to the consolidated financial statements

for the year ended 30 September 2012

23 Provisions continued

Provisions	2012 £m	2011 £m
Current	**246**	138
Non-current	**357**	301
Total provisions	**603**	439

The provision for insurance relates to the costs of self-funded insurance schemes 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. Surplus provisions of £nil (2011: £5 million) were credited to the discontinued operations section of the income statement in the year.

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.

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 for re-organisation include provision for redundancy costs.

Provisions are discounted to present value where the effect is material using the Group's weighted average cost of capital.

24 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 3% to 35% of pensionable salaries.

The contributions payable for defined contribution schemes of £77 million (2011: £58 million) have been fully expensed against profits in the current year.

UK schemes

Within the UK there are now two main arrangements following the merger of the two defined benefit arrangements: the Compass Group Pension Plan ('the Plan') and the Compass Pension Scheme ('the Scheme'), which took effect from 5 April 2011. The combined arrangement continues to be known as the Plan. The other continuing main arrangement is the Compass Retirement Income Savings Plan ('CRISP').

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 and the Scheme 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.

The Plan is a defined benefit arrangement. It has been closed to new entrants since 2003 other than for transfers under public sector contracts where the Group is obliged to provide final salary benefits to transferring employees. Such transferees enter into the GAD sections of the Plan ('GAD members').

On 5 April 2010, the Plan and Scheme closed to future accrual for all existing members, other than those within the special sections of the Plan and Scheme for GAD members. The affected members were offered membership of CRISP from 6 April 2010.

24 Post-employment benefit obligations continued

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 achieve a 100% funding level on a projected salary basis. The actuarial assessments covering expenses 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 valuations of the Plan and the Scheme were as at 5 April 2010. The final results revealed a worsening in the funding positions since the previous valuations, although the effects of poor investment returns during the intervening period were lessened by the cautious investment strategy that has been set for these schemes.

Under the funding schedule agreed with the Plan and Scheme Trustees, the Group aimed to eliminate the 5 April 2010 deficit over the eight year period to 30 September 2018. On the merger of the Plan and the Scheme an exceptional advance funding payment of £50 million was made by the Group to the Plan. A revised funding schedule was agreed with the Plan Trustees whereby the previously agreed combined annual deficit recovery payments will remain unchanged until 30 September 2013. The target remains to fully eliminate the 5 April 2010 deficit by 30 September 2018. The next triennial valuation is due to be completed as at 5 April 2013. The Plan is re-appraised annually by independent actuaries in accordance with IAS 19 'Employee benefits' requirements.

CRISP has a Corporate Trustee. The Chairman, Tony Allen, is independent. The other five Trustee Directors are UK-based employees of the Group, two of whom have been nominated by CRISP members. A position for one further member nominated Trustee Director is vacant. The Plan has a Corporate Trustee. The Chairman, Peter Morriss and one other Trustee are independent. There are a further five Trustee Directors who are UK-based employees or former employees of the Group, three of whom have been nominated by the Plan members.

The Company became subject to the Pensions Automatic Enrolment Regulations for its workforce in the UK on 1 November 2012 but in accordance with the Regulations has deferred its staging date for automatic enrolment of eligible employees to start from 2 January 2013 in order to ensure that adequate systems are in place and employees are not impacted over the Christmas period. Both the Plan and CRISP are compliant arrangements under these Regulations and will be registered as such.

Employees who are not already in one of these registered compliant arrangements will be automatically enrolled into the National Employment Savings Trust ('NEST'). The decision to appoint NEST as the Company's partner for automatic enrolment was made following a comprehensive selection process and the Company considers that NEST will provide 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.

Overseas schemes

In the USA, the main plan is a defined benefit plan. The funding policy, in accordance with government guidelines, is to contribute such variable amounts, on the advice of the actuary, as achieve a 100% funding level on a projected salary basis. The Group made an exceptional advance funding payment of £10 million to this plan during the year to 30 September 2011. In Canada, Norway 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.

In addition, the Group contributes to a number of multi-employer union sponsored pension plans, primarily in the USA. 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 £9 million in the year (2011: £8 million) to these arrangements.

All schemes

Disclosures showing the assets and liabilities of the schemes are set out below. These have been calculated on the following assumptions:

	UK schemes			USA schemes			Other schemes		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Discount rate	**4.5%**	5.1%	5.0%	**3.5%**	4.4%	4.9%	**3.1%**	3.7%	3.8%
Inflation assumption	**2.7%**	3.0%	3.1%	**2.3%**	2.3%	2.5%	**2.0%**	2.1%	2.3%
Rate of increase in salaries	**3.7%**	4.0%	4.1%	**3.0%**	3.0%	4.0%	**2.4%**	2.5%	2.6%
Rate of increase for pensions in payment[1]	**2.7%**	3.0%	2.4/3.1%	**2.3%**	2.3%	2.5%	**0.5%**	0.7%	1.2%
Rate of increase for deferred pensions	**2.7%**	3.0%	3.1%	**0.0%**	0.0%	0.0%	**0.3%**	0.5%	1.0%

1 The rate of increase for the UK schemes varies according to the benefit structure.

Notes to the consolidated financial statements

for the year ended 30 September 2012

24 Post-employment benefit obligations continued

The mortality assumptions used to value the UK pension schemes are derived from the S1NA generational mortality tables with improvements in line with the projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with no rating for males or females, with a long-term underpin of 1.25%. These mortality assumptions take account of experience to date, and assumptions for further improvements in the life expectancy of scheme members.

Examples of the resulting life expectancies are as follows:

	2012		2011	
Life expectancy at 65 (years)	**Male**	**Female**	Male	Female
Member aged 65 in 2012 (2011)	**22.4**	**24.8**	21.1	23.9
Member aged 65 in 2032 (2031)	**24.1**	**26.8**	23.0	25.8

Life expectancies disclosed in the 2011 Annual Report for UK members were based on the Compass-specific weighted average ages for non-pensioners and pensioners.

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. For US schemes, examples of the resulting life expectancies are as follows:

	2012		2011	
Life expectancy at 65 (years)	**Male**	**Female**	Male	Female
Member aged 65 in 2012 (2011)	**19.1**	**21.0**	19.0	20.9

Analysis of the fair value of plan assets and the expected rates of return

The expected rates of return on individual categories of plan assets are determined after taking advice from external experts and using available market data, for example, by reference to relevant equity and bond indices published by stock exchanges. The overall rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the respective investment portfolio of each plan.

	2012						
	UK schemes		**USA schemes**		**Other schemes**		
	Expected return	**£m**	**Expected return**	**£m**	**Expected return**	**£m**	**Total £m**
Equity instruments	**7.0%**	**501**	**8.8%**	**99**	**6.1%**	**21**	**621**
Debt instruments	**2.9%**	**996**	**4.2%**	**125**	**2.9%**	**30**	**1,151**
Other	**3.9%**	**49**	**–**	**–**	**3.8%**	**78**	**127**
Total plan assets	**4.3%**	**1,546**	**6.3%**	**224**	**4.0%**	**129**	**1,899**

	2011						
	UK schemes		USA schemes		Other schemes		
	Expected return	£m	Expected return	£m	Expected return	£m	Total £m
Equity instruments	7.0%	434	7.8%	84	6.9%	25	543
Debt instruments	3.4%	939	6.3%	108	3.0%	24	1,071
Other	6.0%	72	–	–	3.9%	87	159
Total plan assets	4.6%	1,445	7.0%	192	4.3%	136	1,773

	2010						
	UK schemes		USA schemes		Other schemes		
	Expected return	£m	Expected return	£m	Expected return	£m	Total £m
Equity instruments	7.2%	398	7.6%	113	8.4%	21	532
Debt instruments	3.9%	881	4.3%	52	3.3%	29	962
Other	6.6%	69	3.0%	9	4.4%	67	145
Total plan assets	5.0%	1,348	6.4%	174	4.8%	117	1,639

24 Post-employment benefit obligations continued

Movements in the fair value of plan assets	2012 UK £m	2012 USA £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 USA £m	2011 Other £m	2011 Total £m
At 1 October	1,445	192	136	1,773	1,348	174	117	1,639
Currency adjustment	–	(7)	(6)	(13)	–	3	3	6
Expected return on plan assets	66	13	6	85	68	11	6	85
Actuarial gain/(loss)	63	19	5	87	(10)	(11)	(3)	(24)
Employee contributions	–	12	4	16	1	11	3	15
Employer contributions	30	24	18	72	86	20	17	123
Benefits paid	(58)	(19)	(18)	(95)	(48)	(16)	(14)	(78)
Disposals and plan settlements	–	(10)	(16)	(26)	–	–	(3)	(3)
Acquisitions	–	–	–	–	–	–	10	10
At 30 September	1,546	224	129	1,899	1,445	192	136	1,773

Movement in the present value of defined benefit obligations	2012 UK £m	2012 USA £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 USA £m	2011 Other £m	2011 Total £m
At 1 October	1,499	319	248	2,066	1,506	295	228	2,029
Currency adjustment	–	(12)	(11)	(23)	–	4	4	8
Current service cost	2	7	11	20	2	7	12	21
Past service cost	–	–	–	–	–	–	–	–
Curtailment credit	–	(2)	(1)	(3)	–	–	–	–
Amount charged to plan liabilities	75	16	9	100	74	16	9	99
Actuarial (gain)/loss	160	31	11	202	(36)	2	(7)	(41)
Employee contributions	–	12	4	16	1	11	3	15
Benefits paid	(58)	(19)	(18)	(95)	(48)	(16)	(14)	(78)
Disposals and plan settlements	–	(10)	(16)	(26)	–	–	(3)	(3)
Acquisitions	–	–	4	4	–	–	16	16
At 30 September	1,678	342	241	2,261	1,499	319	248	2,066

Present value of defined benefit obligations	2012 UK £m	2012 USA £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 USA £m	2011 Other £m	2011 Total £m
Funded obligations	1,640	258	169	2,067	1,466	237	181	1,884
Unfunded obligations	38	84	72	194	33	82	67	182
Total obligations	1,678	342	241	2,261	1,499	319	248	2,066

Post-employment benefit obligations recognised in the balance sheet	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	2,261	2,066	2,029	1,861	1,552
Fair value of plan assets	(1,899)	(1,773)	(1,639)	(1,525)	(1,419)
Total deficit of defined benefit pension plans per above	362	293	390	336	133
Surplus not recognised	–	–	–	1	–
Past service cost not recognised[1]	(1)	(1)	(1)	(2)	(2)
Post-employment benefit obligations per the balance sheet	361	292	389	335	131

1 To be recognised over the remaining service life in accordance with IAS 19.

Notes to the consolidated financial statements

for the year ended 30 September 2012

24 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, £30 million (2011: £24 million), may not be offset against pension obligations under IAS 19 and is reported within note 15.

Total pension costs/(credits) recognised in the income statement	2012 UK £m	2012 USA £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 USA £m	2011 Other £m	2011 Total £m
Current service cost	2	7	11	20	2	7	12	21
Past service cost	–	–	–	–	–	–	–	–
Curtailment credit	–	(2)	(1)	(3)	–	–	–	–
Charged to operating expenses	2	5	10	17	2	7	12	21
Amount charged to pension liability	75	16	9	100	74	16	9	99
Expected return on plan assets	(66)	(13)	(6)	(85)	(68)	(11)	(6)	(85)
Charged to finance costs	9	3	3	15	6	5	3	14
Total pension costs	11	8	13	32	8	12	15	35

The history of experience adjustments is as follows:

Experience adjustments	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience adjustments on plan liabilities – (gain)/loss	1	(13)	(19)	3	(5)
Experience adjustments on plan assets – (gain)/loss	(87)	24	(49)	7	189

The actuarial (gain)/loss reported in the consolidated statement of comprehensive income can be reconciled as follows:

Actuarial adjustments	2012 £m	2011 £m
Actuarial (gains)/losses on fair value of plan assets	(87)	24
Actuarial (gains)/losses on defined benefit obligations	202	(41)
Actuarial (gains)/losses	115	(17)
Increase/(decrease) in surplus not recognised	–	–
Actuarial (gains)/losses per the consolidated statement of comprehensive income	115	(17)

The Group made total contributions to defined benefit schemes of £72 million in the year (2011: £123 million), including exceptional advance payments of £nil (2011: £60 million) and expects to make regular ongoing contributions to these schemes of £57 million in 2013.

The expected return on plan assets is based on market expectations at the beginning of the period. The actual return on assets was a gain of £172 million (2011: gain of £61 million).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £502 million (2011: £387 million). An actuarial loss of £115 million (2011: actuarial gain of £17 million) was recognised during the year.

Measurement of the Group's defined benefit retirement obligations is particularly sensitive to changes in certain key assumptions, including the discount rate and life expectancy. An increase or decrease of 0.5% in the UK discount rate would result in a £161 million decrease or £169 million increase in the UK defined benefit obligations respectively. An increase of one year in the life expectancy of all UK members from age 65 would result in a £46 million increase in the UK defined benefit obligations.

25 Called up share capital

During the year 5,079,650 options were granted under The Compass Group Share Option Plan 2010. All options were granted over the Company's ordinary shares and the grant price was equivalent to the market value of the Company's shares at the date of grant. No options were granted under any of the Company's other share option plans.

In addition, rights to acquire 31,706 ordinary shares were granted during the year which are subject to restrictions.

The Company commenced an on market share buyback programme on 10 January 2012. During the year a total of 53,759,515 ordinary shares of 10 pence each were repurchased for consideration of £356 million and cancelled. The Company also contracted to repurchase a further 650,000 ordinary shares of 10 pence each before 30 September 2012 for consideration of £5 million which was settled in October 2012.

25 Called up share capital continued

Authorised and allotted share capital	2012 Number of shares	2012 £m	2011 Number of shares	2011 £m
Authorised:				
Ordinary shares of 10p each	**3,000,010,000**	**300**	3,000,010,000	300
Allotted and fully paid:				
Ordinary shares of 10p each	**1,855,164,098**	**186**	1,897,584,193	190

Allotted share capital	2012 Number of shares	2011 Number of shares
Ordinary shares of 10p each allotted as at 1 October	**1,897,584,193**	1,886,343,012
Ordinary shares allotted during the year on exercise of share options	**9,594,748**	8,677,203
Ordinary shares allotted during the year on release of long-term incentive plan awards	**1,744,672**	2,563,978
Repurchase of ordinary share capital	**(53,759,515)**	–
Ordinary shares of 10p each allotted as at 30 September	**1,855,164,098**	1,897,584,193

At 30 September 2012, employees held options over a total of 21,787,300 ordinary shares under the Group's Executive and Management Share Option Plans and the UK Sharesave Plan as follows:

Executive and Management Share Option Plans	Exercisable	Number of shares	Option price per share pence
Date of grant:			
30 September 2002	30 September 2005 – 29 September 2012	2,405	292.50
4 December 2002	4 December 2005 – 3 December 2012	185,850	313.75
28 May 2003	28 May 2006 – 27 May 2013	833,500	320.00
3 December 2003	3 December 2006 – 2 December 2013	18,500	356.00
3 December 2003	3 December 2006 – 2 December 2013	500,750	356.00
3 August 2004	3 August 2007 – 2 August 2014	956,800	316.25
1 December 2004	1 December 2007 – 30 November 2014	1,688,325	229.25
14 December 2005	14 December 2008 – 13 December 2015	613,420	210.00
12 June 2006	12 June 2009 – 11 June 2016	6,500	234.50
30 March 2007	30 March 2010 – 29 March 2017	815,200	335.75
28 September 2007	28 September 2010 – 27 September 2017	38,594	310.75
28 March 2008	28 March 2011 – 27 March 2018	1,003,062	321.50
30 September 2008	30 September 2011 – 29 September 2018	19,354	331.25
31 March 2009	31 March 2012 – 30 March 2019	2,195,016	319.00
30 September 2009	30 September 2012 – 29 September 2019	145,483	372.40
13 May 2010	13 May 2013 – 12 May 2020	3,611,200	557.50
25 November 2010	25 November 2013 – 24 November 2020	80,254	566.00
19 May 2011	19 May 2014 – 18 May 2021	4,003,998	575.00
25 November 2011	25 November 2014 – 24 November 2021	181,600	545.50
17 May 2012	17 May 2015 – 16 May 2022	4,874,524	627.00
		21,774,335	

UK Sharesave Plan	Exercisable	Number of shares	Option price per share pence
Date of grant:			
1 July 2005	1 September 2012 – 28 February 2013	12,965	179.20
		12,965	

Notes to the consolidated financial statements

for the year ended 30 September 2012

25 Called up share capital continued

In addition, shares have also been awarded under the Compass Group PLC Long Term Incentive Plan 2010 ('LTIP 2010') and the Compass Group Long-Term Incentive Plan ('LTIP 2000'):

Long Term Incentive Plans	Vesting date	Number of shares	Performance conditions
Date of award:			
1 December 2009	1 October 2012	1,523,174	50% TSR/50% GFCF
13 May 2010	1 October 2012	264,912	50% TSR/50% GFCF
25 November 2010	1 October 2013	1,360,106	50% TSR/50% GFCF
25 November 2011	1 October 2014	1,517,092	50% TSR/50% GFCF
17 May 2012	1 October 2014	114,832	50% TSR/50% GFCF
		4,780,116	

1 The performance and vesting conditions are described in more detail in note 26.

In addition, ordinary shares have been awarded to employees which are subject to restrictions and will only vest should set performance targets be achieved.

Restricted shares	Vesting date	Number of shares	Performance conditions
Date of award:			
28 March 2011	28 March 2013	20,000	Service
28 March 2011	1 December 2014	67,500	Service and performance
5 December 2011	5 December 2012	10,853	Service
5 December 2011	5 December 2013	10,853	Service
2 July 2012	2 July 2013	5,000	Service
2 July 2012	2 July 2014	5,000	Service
		119,206	

26 Share-based payments

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 the Directors' Remuneration Report on pages 53 to 65.

The following tables illustrate the number and weighted average exercise prices of, and movements in, share options during the year:

Executive and Management Share Option Plans	**2012** Number of share options	**2012** Weighted average exercise price pence	2011 Number of share options	2011 Weighted average exercise price pence
Outstanding at 1 October	**27,315,996**	**388.58**	32,250,313	356.02
Granted	**5,079,650**	**624.03**	4,415,950	574.76
Exercised	**(9,422,701)**	**322.58**	(8,361,093)	359.23
Expired	**(54,003)**	**404.61**	(98,200)	430.00
Lapsed	**(1,144,607)**	**443.01**	(890,974)	403.73
Outstanding at 30 September	**21,774,335**	**469.17**	27,315,996	388.58
Exercisable at 30 September	**9,022,759**	**299.19**	14,270,251	308.68

UK Sharesave Plan	**2012** Number of share options	**2012** Weighted average exercise price pence	2011 Number of share options	2011 Weighted average exercise price pence
Outstanding at 1 October	**188,184**	**180.43**	356,375	188.14
Exercised	**(172,047)**	**179.20**	(125,871)	195.46
Lapsed	**(3,172)**	**252.00**	(42,320)	200.69
Outstanding at 30 September	**12,965**	**179.20**	188,184	180.43
Exercisable at 30 September	**12,965**	**179.20**	2,636	266.80

26 Share-based payments continued

International Sharesave Plan	2012 Number of share options	2012 Weighted average exercise price pence	2011 Number of share options	2011 Weighted average exercise price pence
Outstanding at 1 October	–	–	290,590	179.20
Exercised	–	–	(190,239)	179.20
Lapsed	–	–	(100,351)	179.20
Outstanding at 30 September	–	–	–	–
Exercisable at 30 September	–	–	–	–

Options granted under the International Sharesave Plan represented appreciation rights over the number of shares shown. When exercised, the holders received a number of shares calculated by reference to the increase in the market price at the time of exercise over the option price (as shown in the table above). Any remaining share appreciation rights are shown in the table above as lapsed.

Information relating to all option schemes

The weighted average share price at the date of exercise for share options exercised during the year was 644.10 pence (2011: 573.44 pence).

The options outstanding at the end of the year have a weighted average remaining contractual life of 6.6 years (2011: 5.9 years) for executive and management options and 0.4 years (2011: 1.4 years) for employee schemes.

In the year, options were granted on 25 November 2011 and 17 May 2012 under the terms of the CSOP 2010. The estimated fair value of options granted on these dates was 104.85 pence and 84.11 pence respectively. In 2011, options were granted on 25 November 2010 and 19 May 2011. The estimated fair value of these options was 134.75 pence and 151.88 pence respectively.

Fair values for the executive and management schemes were calculated using a binomial distribution option pricing model so that proper allowance is made for the presence of performance conditions and the possibility of early exercise. In addition, a Monte Carlo simulation model was used to estimate the probability of performance conditions being met. Fair values for options granted under employee savings-related schemes are calculated using the Black-Scholes option pricing model. The inputs to the option pricing models are reassessed for each grant.

The expected volatility is calculated with reference to weekly movements in the Compass share price over the three years prior to the grant date.

The following assumptions were used in calculating the fair value of options granted under CSOP 2010:

Assumptions – options	2012	2011
Expected volatility	22.3%	35.0%
Risk free interest rate	1.0%	2.5%
Dividend yield	3.2%	3.3%
Expected life	6.0 years	6.0 years
Weighted average share price at date of grant	621.82p	584.49p
Weighted average option exercise price	624.03p	574.76p

Vesting of options awarded from October 2005 onwards depends on the achievement of the Group Free Cash Flow ('GFCF') target. For options granted after 30 September 2006, 25% of the awards will vest if the threshold GFCF target is met and 100% of the awards will vest if the maximum GFCF target is met. Awards vest on a straight-line basis for GFCF between these two points.

Executive and Management Share Option Plans	Performance period	Target Threshold GFCF £m	Target Threshold % of award	Target Maximum GFCF £m	Target Maximum % of award
Granted on:					
13 May 2010	1 October 2009 – 30 September 2012	1,822	25%	1,913	100%
25 November 2010 and 19 May 2011	1 October 2010 – 30 September 2013	2,181	25%	2,290	100%
25 November 2011 and 17 May 2012	1 October 2011 – 30 September 2014	2,360	25%	2,478	100%

Performance targets applying to earlier grants under the Executive and Management Share Option Plans have been met in full.
No performance targets applied to the UK or International Sharesave Plans.

Notes to the consolidated financial statements

for the year ended 30 September 2012

26 Share-based payments continued

Long Term Incentive Plans

Full details of The Compass Group PLC Long Term Incentive Plan 2010 ('2010 LTIP') and the Compass Group Long-Term Incentive Plan ('2000 LTIP') can be found in the Directors' Remuneration Report on pages 53 to 65.

The following table shows the movement in share awards during the year:

Long Term Incentive Plans	2012 Number of shares	2011 Number of shares
Outstanding at 1 October	**5,065,752**	6,269,624
Awarded	**1,631,924**	1,360,106
Released	**(1,744,672)**	(2,563,978)
Lapsed	**(172,888)**	–
Outstanding at 30 September	**4,780,116**	5,065,752
Available for release at 30 September	**–**	–

Vesting of 50% of LTIP awards made from 1 October 2005 onwards is dependent on the Group's Total Shareholder Return ('TSR') performance relative to a comparator group of companies included within the FTSE 100 Index. The comparator group used for the award for the year commencing 1 October 2006 comprised all companies within the FTSE 100 Index, whereas, for subsequent years, only non-financial services companies have been included. This performance condition is treated as a market-based condition for valuation purposes and an assessment of the vesting probability is built into the grant date fair value calculations. This assessment was calculated using a Monte Carlo simulation option pricing model.

The remaining 50% of LTIP awards made from 1 October 2005 onwards depends on the achievement of the GFCF target. 25% of that part of the award will vest if the threshold GFCF target is met and 100% of that part of the award will vest if the maximum GFCF target is met. Awards vest on a straight-line basis between these two points.

		Target			
		Threshold		Maximum	
Long Term Incentive Plans	Performance period	GFCF £m	% of award	GFCF £m	% of award
Awarded year commencing:					
1 October 2009	1 October 2009 – 30 September 2012	1,822	25%	1,913	100%
1 October 2010	1 October 2010 – 30 September 2013	2,181	25%	2,290	100%
1 October 2011	1 October 2011 – 30 September 2014	2,360	25%	2,478	100%

The fair value of awards subject to GFCF performance targets was calculated using the Black-Scholes option pricing model, the vesting probability being assessed based on a simulation model of the GFCF forecast. The GFCF performance targets relating to LTIP awards made in the years commencing 1 October 2007 and 1 October 2008 were met in full and the maximum number of shares available were released to the participants.

The element of awards made in the years commencing 1 October 2007 and 1 October 2008 dependent upon TSR performance targets also vested in full and the maximum number of shares available were released to participants as the Company's TSR performance was within the top quartile of the comparator group. The weighted average share price at the date of release for LTIP awards released during 2012 was 555.05 pence (2011: 568.02 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2011: 1.1 years).

For the year ended 30 September 2012, LTIP awards were made on 25 November 2011 and 17 May 2012 for which the estimated fair value was 355.05 pence and 409.46 pence respectively. For the year ended 30 September 2011, LTIP awards were made on 25 November 2010 for which the estimated fair value was 358.32 pence. 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	2012	2011
Expected volatility	**28.5%**	35.9%
Risk free interest rate	**0.7%**	1.0%
Dividend yield	**3.5%**	3.2%
Expected life	**2.8 years**	2.8 years
Weighted average share price at date of grant	**556.17p**	548.00p

26 Share-based payments continued

Restricted shares

The following table shows the movement in restricted share awards during the year:

Restricted shares	2012 Number of shares	2011 Number of shares
Outstanding at 1 October	107,500	–
Awarded	31,706	127,500
Vested and released	(20,000)	–
Lapsed	–	(20,000)
Outstanding at 30 September	119,206	107,500
Vested and available for release at 30 September	–	–

Restricted shares (phantom awards)	2012 Number of shares	2011 Number of shares
Awarded	52,460	–
Outstanding at 30 September	52,460	–
Vested and available for release at 30 September	–	–

The phantom restricted shares were awarded on 25 November 2011 and will vest on 25 November 2014 subject to the achievement of a period of service performance condition. These awards are cash-settled and the fair value is reassessed at each balance sheet date. The carrying amount as at 30 September 2012 was £95,000.

The fair value of restricted shares awarded in the year, including phantom awards, was calculated using the Black-Scholes option pricing model, using the following assumptions:

Assumptions – restricted shares	2012	2011
Expected volatility	27.2%	35.1%
Risk free interest rate	0.6%	1.0%
Dividend yield	3.4%	3.2%
Expected life	2.4 years	2.7 years
Weighted average share price at date of grant	574.17p	555.00p

The weighted average share price at the date of release for restricted share awards released during 2012 was 654.00 pence.

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 ESOP and LTIPT.

The following table illustrates the movement in the number of awards during the year:

Long-Term Bonus Plan	2012 Number of shares	2011 Number of shares
Outstanding at 1 October	404,019	543,451
Released	(51,066)	(106,469)
Forfeited	–	(32,963)
Outstanding at 30 September	352,953	404,019

The fair value of bonus shares awarded is calculated using the Black-Scholes option pricing model; however, no new awards were made in either 2012 or 2011.

The weighted average share price at the date of exercise for share bonus awards released during 2012 was 608.31 pence (2011: 569.20 pence). The share bonus awards have all vested, although certain executives have elected to defer taking their entitlements for a further period of up to 5.3 years (2011: 6.3 years), the weighted average deferral period being 2.8 years (2011: 3.3 years).

Income statement expense and carrying value

The Group recognised an expense of £11 million (2011: £10 million) for continuing operations in respect of equity-settled share-based payment transactions.

Notes to the consolidated financial statements

for the year ended 30 September 2012

27 Business combinations

On 3 October 2011, Compass Group, through its subsidiary Sofra Yemek Üretim Ve Hizmet A.S., acquired the entire issued share capital of Obasan Gıda İnşaat Sanayi Ve Ticaret Anonim Şirketi ('Obasan') for total consideration of £48 million. Obasan is the leading provider of delivered meals to businesses within Turkey in and around Bursa and Istanbul. The acquisition is an addition to the existing business in Turkey that brings significant expertise in providing delivered meals to offices, enabling the Company to service more organisations that do not have catering facilities on-site and expand offerings in that market.

On 21 October 2011, Compass Group, through its subsidiary, Compass Group, UK and Ireland Limited, acquired Integrated Cleaning Management Limited ('ICM'), an independent specialist provider of core cleaning and related services, for total consideration of £38 million. ICM operates across the UK, with a particular focus on the corporate office, hospitality, leisure, hotel and retail sectors and strengthens the UK's multi service capability.

On 29 February 2012, Compass Group, through its subsidiary Seiyo Food – Compass Group, Inc., acquired Nihon Kyushoku Service Co Ltd ('NKS'), a food service provider, for total consideration of £37 million. NKS operates mainly in the Healthcare & Seniors sector and represents a further opportunity for expansion in this sector, significantly in senior living.

On 7 March 2012, Compass Group, through its subsidiary Compass Group Southern Africa (Proprietary) Ltd ('CGSA'), acquired Supercare Services Group (Proprietary) Limited ('Supercare') for total consideration of £42 million. Supercare is one of South Africa's leading cleaning companies, providing a range of specialised services including contract cleaning and washroom hygiene services. This acquisition will expand CGSA's multi service offer to clients and give it a strong cross-selling platform.

In addition to the acquisitions set out above, the Group has also completed a number of smaller infill acquisitions in several countries for total consideration of £57 million.

	Acquisitions		Adjustments[1]	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired				
Contract-related and other intangibles arising on acquisition	2	81	15	96
Property, plant and equipment	16	15	–	15
Inventories	4	4	1	5
Trade and other receivables	45	44	–	44
Cash and cash equivalents	22	22	–	22
Deferred tax assets	4	4	–	4
Other assets	2	2	–	2
Investments in associate undertakings	1	1	(1)	–
Trade and other payables	(30)	(30)	(2)	(32)
Deferred tax liabilities	–	(14)	–	(14)
Other liabilities	(16)	(9)	(2)	(11)
Fair value of net assets acquired	50	120	11	131
Goodwill arising on acquisition		94	(3)	91
Total consideration		214	8	222
Satisfied by				
Cash consideration		203	9	212
Deferred consideration[2]		11	(1)	10
		214	8	222
Cash flow				
Cash consideration		203	9	212
Cash acquired		(22)	–	(22)
Acquisition transaction costs		9	–	9
Net cash outflow arising on acquisition		190	9	199
Deferred consideration and other payments relating to previous acquisitions				22
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings				221

1 Adjustments to provisional amounts in respect of prior year acquisitions in accordance with International Financial Reporting Standard 3 'Business combinations (Revised 2008)'.
2 Deferred 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.

27 Business combinations continued

Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with International Financial Reporting Standard 3 'Business combinations (revised 2008)'. The adjustments made in respect of acquisitions in the year to 30 September 2012 are provisional and will be finalised within 12 months of the acquisition date.

The goodwill arising on the acquisition of the businesses represents the premium that the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. Of the goodwill arising, an amount of £2 million is expected to be deductible for tax purposes.

Acquisition transaction costs expensed in the year to 30 September 2012 were £9 million (2011: £9 million).

In the period from acquisition to 30 September 2012 the acquisitions contributed revenue of £233 million and operating profit of £16 million to the Group's results.

If the acquisitions had occurred on 1 October 2011, it is estimated that Group revenue for the period would have been £16,977 million and total Group operating profit (including associates) would have been £861 million.

28 Reconciliation of operating profit to cash generated by operations

Reconciliation of operating profit to cash generated by continuing operations	2012 £m	2011 £m
Operating profit from continuing operations	**848**	1,010
Add back: UK re-organisation	**–**	55
Operating profit from continuing operations before UK re-organisation	**848**	1,065
Adjustments for:		
Acquisition transaction costs	**9**	9
Amortisation of intangible assets (excluding UK re-organisation)	**116**	94
Amortisation of intangible assets arising on acquisition	**18**	12
Depreciation of property, plant and equipment (excluding UK re-organisation)	**203**	160
Loss on disposal of property, plant and equipment/intangible assets	**2**	1
Impairment of goodwill (excluding UK re-organisation)	**2**	2
Increase in provisions	**174**	8
(Decrease) in post-employment benefit obligations	**(54)**	(42)
Share-based payments – charged to profits	**11**	10
Operating cash flows before movement in working capital	**1,329**	1,319
(Increase)/decrease in inventories	**(4)**	(16)
(Increase)/decrease in receivables	**(146)**	(157)
Increase/(decrease) in payables	**214**	152
Cash generated by continuing operations	**1,393**	1,298

Notes to the consolidated financial statements

for the year ended 30 September 2012

29 Cash flow from discontinued operations

Cash flow from discontinued operations	2012 £m	2011 £m
Net cash from/(used in) operating activities of discontinued operations		
Cash utilised from discontinued operations	(8)	(6)
Tax paid	(11)	–
Net cash from/(used in) operating activities of discontinued operations	(19)	(6)
Net cash from/(used in) financing activities by discontinued operations		
Tax on profit of sale on subsidiary companies and associated undertakings	(24)	–
Net cash from/(used in) investing activities by discontinued operations	(24)	–

30 Reconciliation of net cash flow to movement in net debt

This table is presented as additional information to show the 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	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	Net debt £m
At 1 October 2010	643	(39)	(1,267)	(1,306)	(42)	84	(1,264)	(621)
Net increase/(decrease) in cash and cash equivalents	467	–	–	–	–	–	–	467
Cash outflow from repayment of bonds	–	–	83	83	–	–	83	83
Cash (inflow)/outflow from other changes in gross debt	–	(6)	(683)	(689)	–	(4)	(693)	(693)
Cash outflow from repayment of obligations under finance leases	–	–	–	–	12	–	12	12
(Increase)/decrease in net debt as a result of new finance leases taken out	–	–	–	–	(2)	–	(2)	(2)
Currency translation gains/(losses)	–	–	(14)	(14)	–	16	2	2
Acquisitions and disposals (excluding cash)	–	–	(8)	(8)	(1)	–	(9)	(9)
Other non-cash movements	–	–	9	9	–	(9)	–	–
At 30 September 2011	1,110	(45)	(1,880)	(1,925)	(33)	87	(1,871)	(761)
At 1 October 2011	**1,110**	**(45)**	**(1,880)**	**(1,925)**	**(33)**	**87**	**(1,871)**	**(761)**
Net increase/(decrease) in cash and cash equivalents	**(368)**	**–**	**–**	**–**	**–**	**–**	**–**	**(368)**
Cash outflow from repayment of bonds	**–**	**–**	**609**	**609**	**–**	**–**	**609**	**609**
Cash (inflow)/outflow from other changes in gross debt	**–**	**(14)**	**(468)**	**(482)**	**–**	**6**	**(476)**	**(476)**
Cash outflow from repayment of obligations under finance leases	**–**	**–**	**–**	**–**	**10**	**–**	**10**	**10**
(Increase)/decrease in net debt as a result of new finance leases taken out	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**	**(4)**
Currency translation gains/(losses)	**(14)**	**2**	**53**	**55**	**1**	**(24)**	**32**	**18**
Acquisitions and disposals (excluding cash)	**–**	**(1)**	**–**	**(1)**	**(2)**	**–**	**(3)**	**(3)**
Other non-cash movements	**–**	**–**	**(13)**	**(13)**	**–**	**15**	**2**	**2**
At 30 September 2012	**728**	**(58)**	**(1,699)**	**(1,757)**	**(28)**	**84**	**(1,701)**	**(973)**

30 Reconciliation of net cash flow to movement in net debt continued

Other non-cash movements in net debt	2012 £m	2011 £m
Amortisation of fees and discount on issuance	(2)	–
Accrual for issuance fees	–	2
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	4	4
Swap monetisation credit	2	2
Changes in the fair value of bank and other borrowings in a designated fair value hedge	(17)	1
Bank and other borrowings	(13)	9
Changes in the value of derivative financial instruments including accrued interest	15	(9)
Other non-cash movements	2	–

31 Contingent liabilities

Performance bonds, guarantees and indemnities[1]	2012 £m	2011 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings)[1]	383	371

1 Excludes bonds, guarantees and indemnities in respect of self-insurance liabilities, post-employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 33.

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 ventures 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.

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.

In addition, the Group is subject to periodic tax audits covering corporate, employee and sales taxes in the various jurisdictions in which it operates. None of these are currently expected to have a material impact on the Group's financial position.

Outcome
Although it is not possible to predict the outcome 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.

Notes to the consolidated financial statements

for the year ended 30 September 2012

32 Capital commitments

Capital commitments	2012 £m	2011 £m
Contracted for but not provided for	**120**	106

The majority of capital commitments are for intangible assets.

33 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. The Group has some leases that include revenue-related rental payments that are contingent on future levels of revenue.

Future minimum rentals payable under non-cancellable operating leases and concessions agreements are as follows:

	2012			2011		
	Operating leases			Operating leases		
Operating lease and concessions commitments	**Land and buildings £m**	**Other assets £m**	**Other occupancy rentals £m**	Land and buildings £m	Other assets £m	Other occupancy rentals £m
Falling due within 1 year	**52**	**47**	**61**	51	50	59
Falling due between 1 and 5 years	**124**	**64**	**85**	121	68	60
Falling due in more than 5 years	**79**	**5**	**57**	82	7	36
Total	**255**	**116**	**203**	254	125	155

34 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 22. 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 family.

35 Post balance sheet events

On 1 October 2012, Compass Group acquired the trade and assets of Crown Camp Services ('Crown') from Crown Catering Services S.A.S. For the year ended 31 December 2011, Crown generated revenues of 43.4 billion Colombian Pesos (£14.9 million). Crown is an experienced food and support services operator in the oil and gas sector.

On 31 October 2012, Compass Group acquired the trade and assets of Nova Services Group, Inc., a Toronto-based company that provides food and support services to the Business & Industry and Healthcare & Seniors sectors. For the year ended 31 January 2012, it generated revenues of 34.9 million Canadian Dollars (£21.9 million).

36 Exchange rates

Exchange rates	2012	2011
Average exchange rate for year		
Australian Dollar	**1.53**	1.57
Brazilian Real	**2.99**	2.65
Canadian Dollar	**1.59**	1.59
Euro	**1.21**	1.15
Japanese Yen	**124.35**	129.63
Norwegian Krone	**9.19**	9.05
South African Rand	**12.71**	11.17
Swedish Krona	**10.69**	10.40
Swiss Franc	**1.47**	1.45
UAE Dirham	**5.81**	5.90
US Dollar	**1.58**	1.61
Closing exchange rate as at 30 September		
Australian Dollar	**1.55**	1.60
Brazilian Real	**3.28**	2.89
Canadian Dollar	**1.59**	1.62
Euro	**1.26**	1.16
Japanese Yen	**125.63**	120.08
Norwegian Krone	**9.24**	9.15
South African Rand	**13.32**	12.52
Swedish Krona	**10.59**	10.70
Swiss Franc	**1.52**	1.42
UAE Dirham	**5.93**	5.72
US Dollar	**1.61**	1.56

1 Average rates are used to translate the income statement and cash flow. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

Notes to the consolidated financial statements

for the year ended 30 September 2012

37 Details of principal subsidiary companies

All companies listed below are wholly owned by the Group, except where otherwise indicated. All interests are in the ordinary share capital. All companies operate principally in their country of incorporation. A full list of the Group's operating subsidiary undertakings will be annexed to the next annual return.

Principal subsidiaries	Country of incorporation	Principal activities
North America		
Compass Group Canada Ltd	Canada	Foodservice and support services
Bon Appétit Management Co	USA	Foodservice
Compass Group USA Investments, Inc	USA	Holding company
Compass Group USA, Inc	USA	Foodservice and support services
Crothall Services Group	USA	Support services to the healthcare market
Flik International Corp	USA	Fine dining facilities
Foodbuy LLC	USA	Purchasing services in North America
Levy Restaurants LP	USA	Fine dining and foodservice at sports and entertainment facilities
Morrison Management Specialists, Inc	USA	Foodservice to the healthcare and senior living market
Restaurant Associates Corp	USA	Fine dining facilities
Wolfgang Puck Catering & Events, LLC (90%)	USA	Fine dining facilities
Europe & Japan		
Compass Contract Services (UK) Ltd	England & Wales	Foodservice and support services
Compass Group Holdings PLC	England & Wales	Holding company and corporate activities
Compass Group, UK and Ireland Ltd	England & Wales	Holding company
Compass Group Procurement Ltd	England & Wales	Purchasing services throughout the world
Compass Purchasing Ltd	England & Wales	Purchasing services in the UK and Ireland
Compass Services UK Ltd	England & Wales	Foodservice and support services
Hospitality Holdings Ltd[1]	England & Wales	Intermediate holding company
Letheby & Christopher Ltd	England & Wales	Foodservice for the UK sports and events market
Scolarest Ltd	England & Wales	Foodservice for the UK education market
VSG Group Ltd	England & Wales	Security and support services
Compass Group France Holdings SAS	France	Holding company
Compass Group France	France	Foodservice and support services
Compass Group Deutschland GmbH	Germany	Holding company
Medirest GmbH & Co OHG	Germany	Foodservice to the healthcare and senior living market
Eurest Deutschland GmbH	Germany	Foodservice to business and industry
Eurest Services GmbH	Germany	Support services to business and industry
Eurest Sports & Food GmbH	Germany	Foodservice to the sports and leisure market
Compass Group Italia S.P.A	Italy	Foodservice, support services and prepaid meal vouchers
Seiyo Food – Compass Group, Inc	Japan	Foodservice and support services
Compass Group International BV	Netherlands	Holding company
Compass Group Nederland BV	Netherlands	Foodservice and support services
Compass Group Nederland Holding BV	Netherlands	Holding company
Eurest Services BV	Netherlands	Foodservice and support services
Compass Group Holdings Spain, S.L.	Spain	Holding company
Eurest Colectividades S.L.	Spain	Foodservice and support services
Compass Group (Schweiz) AG	Switzerland	Foodservice and support services
Restorama AG	Switzerland	Foodservice
Fast Growing & Emerging		
Compass Group (Australia) Pty Ltd	Australia	Foodservice and support services
GR SA	Brazil	Foodservice and support services
Compass Group Southern Africa (Pty) Ltd (97.5%)	South Africa	Foodservice and support services
Supercare Services Group (Proprietary) Limited (97.5%)	South Africa	Support service
Sofra Yemek Üretim Ve Hizmet A.S.	Turkey	Foodservice and support services

1 Held directly by the Parent Company.

Parent Company financial statements

Directors' responsibilities

The Annual Report and Accounts complies with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect of the requirement 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 accounts of the Parent Company ('the Company') have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company

On behalf of the Board

Mark J White
General Counsel and Company Secretary
21 November 2012

The Directors are required by law to prepare separate financial statements for the Company in accordance with the Companies Act 2006. The Directors have chosen to prepare these financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom 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

Introduction

We have audited the Parent Company financial statements of Compass Group PLC for the year ended 30 September 2012 which comprise the Parent Company balance sheet, the accounting policies and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.

Other matters

We have reported separately on the Group financial statements of Compass Group PLC for the year ended 30 September 2012.

Ian Waller

Ian Waller (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 November 2012

Parent Company balance sheet

as at 30 September 2012

Compass Group PLC	Notes	2012 £m	2011 £m
Fixed assets			
Investments	2	**968**	961
Current assets			
Debtors: Amounts falling due within one year	3	**8,127**	7,334
Debtors: Amounts falling due after more than one year	3	**85**	64
Cash at bank and in hand		**417**	875
Current assets		**8,629**	8,273
Creditors: Amounts falling due within one year			
Creditors: Amounts falling due within one year	4	**(5,846)**	(6,067)
Net current assets			
Net current assets		**2,783**	2,206
Total assets less current liabilities			
Total assets less current liabilities		**3,751**	3,167
Creditors: Amounts falling due after more than one year			
Creditors: Amounts falling due after more than one year	4	**(1,678)**	(1,208)
Provisions for liabilities and charges	5	**(28)**	–
Net assets			
Net assets		**2,045**	1,959
Capital and reserves			
Share capital	8, 9	**186**	190
Share premium account	9	**386**	353
Capital redemption reserve	9	**49**	44
Share-based payment reserve	9	**156**	149
Profit and loss reserve	9	**1,268**	1,223
Total equity		**2,045**	1,959

Approved by the Board of Directors on 21 November 2012 and signed on their behalf by

Richard J Cousins, Director
Dominic Blakemore, Director

Parent Company accounting policies

for the year ended 30 September 2012

Introduction

The significant accounting policies adopted in the preparation of the separate financial statements of the Company are set out below:

A Accounting convention and basis of preparation

These financial statements have been prepared in accordance with applicable UK Generally Accepted Accounting Practice ('UK GAAP') and the Companies Act 2006 using the historical cost convention modified for the revaluation of certain financial instruments.

These financial statements have been prepared on a going concern basis. This is discussed in the Finance Directors' Report on page 42.

B Exemptions

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2012. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from presenting a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of Compass Group.

The Compass Group PLC consolidated financial statements for the year ended 30 September 2012 contain financial instrument disclosures which comply with FRS 29 'Financial Instruments: Disclosures'. Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the Company.

C Change in accounting policies

The Company has not applied any accounting standards for the first time in the year ended 30 September 2012.

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 are not less than shown at the balance sheet date.

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 profit and loss account 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, cross currency swaps and forward currency contracts. The Company and Group policy is disclosed in the accounting policies to the consolidated financial statements.

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 timing 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 and cash-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 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.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

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 26 to the consolidated financial statements.

Notes to the Parent Company financial statements

for the year ended 30 September 2012

1 Profit and loss account disclosures

The Company's profit on ordinary activities after tax was £779 million (2011: £932 million).

The fee for the audit of the Company's annual financial statements was £0.4 million (2011: £0.4 million).

The Company had no direct employees in the course of the year (2011: none).

2 Investments in subsidiary undertakings

Investments in subsidiary undertakings	2012 £m	2011 £m
Cost		
At 1 October	**962**	959
Additions	**–**	–
Share-based payments to employees of subsidiaries	**11**	10
Recharged to subsidiaries during the year	**(4)**	(6)
Settlement of share-based payments by subsidiaries	**–**	(1)
At 30 September	**969**	962
Provisions		
At 1 October	**1**	1
Additions	**–**	–
At 30 September	**1**	1
Net book value		
At 30 September	**968**	961

The principal subsidiary undertakings are listed in note 37 to the consolidated financial statements.

3 Debtors

	2012			2011		
Debtors	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
Amounts owed by subsidiary undertakings	**8,125**	**–**	**8,125**	7,306	–	7,306
Derivative financial instruments (note 7)	**1**	**84**	**85**	28	63	91
Current taxation	**1**	**–**	**1**	–	–	–
Deferred taxation	**–**	**1**	**1**	–	1	1
Total	**8,127**	**85**	**8,212**	7,334	64	7,398

The deferred taxation asset arises on certain derivative financial instruments and will be recovered no later than the maturity dates of these instruments. There has been no movement to the outstanding asset between the two periods and therefore a reconciliation is not presented.

Notes to the Parent Company financial statements

for the year ended 30 September 2012

4 Creditors

Creditors	2012 Falling due within 1 year £m	2012 Falling due after more than 1 year £m	2012 Total £m	2011 Falling due within 1 year £m	2011 Falling due after more than 1 year £m	2011 Total £m
Bank overdrafts	263	–	263	224	–	224
Bank loans	–	–	–	–	–	–
Bank overdrafts and loans (note 6)	263	–	263	224	–	224
Loan notes	–	871	871	293	889	1,182
Bank loans	–	48	48	–	47	47
Bonds	–	757	757	335	269	604
Loan notes and bonds (note 6)	–	1,676	1,676	628	1,205	1,833
Derivative financial instruments (note 6)	3	2	5	3	3	6
Accruals and deferred income	47	–	47	46	–	46
Current tax liabilities	–	–	–	4	–	4
Amounts owed to subsidiary undertakings	5,533	–	5,533	5,162	–	5,162
Total	5,846	1,678	7,524	6,067	1,208	7,275

The Company has fixed term, fixed interest private placements totalling US$1,282 million (£794 million) at interest rates between 3.31% and 6.72%. The carrying value of these US Dollar denominated loan notes is £835 million. The Company also has a Sterling denominated private placement of £35 million with a carrying value of £37 million at an interest rate of 7.55%.

Loan notes	Nominal value	Redeemable	Interest
US$ private placement	$105m	Oct 2013	6.45%
US$ private placement	$15m	Nov 2013	5.67%
US$ private placement	$162m	Oct 2015	6.72%
Sterling private placement	£35m	Oct 2016	7.55%
US$ private placement	$250m	Oct 2018	3.31%
US$ private placement	$398m	Oct 2021	3.98%
US$ private placement	$352m	Oct 2023	4.12%

In addition, the Company has a Sterling denominated Eurobond of £250 million at an interest rate of 7.0%, redeemable in December 2014 and a Euro denominated Eurobond of €600m at an interest rate of 3.125%, redeemable in February 2019. The carrying value of these bonds is £756 million.

Bonds	Nominal value	Redeemable	Interest
Sterling Eurobond	£250m	Dec 2014	7.00%
Euro Eurobond	€600m	Feb 2019	3.125%

5 Provisions for liabilities and charges

Provisions	Legal and other claims £m
At 1 October 2010	–
At 30 September 2011	–
At 1 October 2011	**–**
Charged to profit and loss account	**28**
At 30 September 2012	**28**

Provisions for legal and other claims relate to provisions for the estimated cost of litigation and other sundry claims. The timing of the settlement of these claims is uncertain.

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:

	2012				2011			
Maturity	**Bank overdrafts and loans (note 4) £m**	**Loan notes and bonds (note 4) £m**	**Other[1] (note 7) £m**	**Total £m**	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Other[1] (note 7) £m	Total £m
Between 1 and 2 years	**–**	**76**	**(3)**	**73**	–	–	2	2
Between 2 and 5 years	**48**	**410**	**(37)**	**421**	–	460	(42)	418
In more than 5 years	**–**	**1,142**	**(42)**	**1,100**	47	698	(20)	725
In more than 1 year	**48**	**1,628**	**(82)**	**1,594**	47	1,158	(60)	1,145
Within 1 year or on demand	**263**	**–**	**2**	**265**	224	628	(25)	827
Total	**311**	**1,628**	**(80)**	**1,859**	271	1,786	(85)	1,972

1 Other includes the debtor and creditor amounts associated with derivative financial instruments (note 7).

7 Derivative financial instruments

	2012		2011	
Derivative financial instruments	**Financial assets (note 3) £m**	**Financial liabilities (note 4) £m**	Financial assets (note 3) £m	Financial liabilities (note 4) £m
Interest rate swaps				
Fair value hedges	**84**	**–**	81	–
Not in a hedging relationship	**–**	**(3)**	–	(3)
Other				
Forward currency contracts and cross currency swaps	**1**	**(2)**	10	(3)
Derivative financial instruments	**85**	**(5)**	91	(6)

8 Share capital

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 25 and 26 to the consolidated financial statements.

Notes to the Parent Company financial statements

for the year ended 30 September 2012

9 Capital and reserves

Capital and reserves	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 2010	189	317	44	145	651	1,346
Issue of shares (for cash)	1	30	–	–	–	31
Repurchase of ordinary share capital	–	–	–	–	–	–
Fair value of share-based payments	–	–	–	10	–	10
Release of LTIP award settled by issue of new shares	–	6	–	(6)	–	–
Dividends paid to Compass shareholders	–	–	–	–	(360)	(360)
Profit for the financial year	–	–	–	–	932	932
At 30 September 2011	190	353	44	149	1,223	1,959
At 1 October 2011	**190**	**353**	**44**	**149**	**1,223**	**1,959**
Issue of shares (for cash)	**1**	**29**	**–**	**–**	**–**	**30**
Repurchase of ordinary share capital	**(5)**	**–**	**5**	**–**	**(356)**	**(356)**
Fair value of share-based payments	**–**	**–**	**–**	**11**	**–**	**11**
Release of LTIP award settled by issue of new shares	**–**	**4**	**–**	**(4)**	**–**	**–**
Dividends paid to Compass shareholders	**–**	**–**	**–**	**–**	**(378)**	**(378)**
Profit for the financial year	**–**	**–**	**–**	**–**	**779**	**779**
At 30 September 2012	**186**	**386**	**49**	**156**	**1,268**	**2,045**

10 Contingent liabilities

Contingent liabilities	2012 £m	2011 £m
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	**363**	364

Details regarding certain contingent liabilities which involve the Company are set out in note 31 to the consolidated financial statements.

General shareholder information

Registrar

All matters relating to the administration of shareholdings in the Company should be directed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 20 7763 0041; email: ssd@capitaregistrars.com.

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by Capita Registrars at www.capitashareportal.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
- use the Internet to 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. The Company can, at Shareholders' request, send Shareholders an email notification each time a new shareholder report or other shareholder communication is placed on our website. This enables Shareholders to read and/or download the information at their leisure. There are no particular software requirements to view these documents, other than those described on our website.

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 our Registrar (through www.capitashareportal.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.capitashareportal.com or write to Capita Registrars.

Published information

If you would like to receive a hard copy of this Report or a copy in an alternative format such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at the Company's registered office. A copy can also be downloaded from our website at www.compass-group.com/ar12.

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. Ordinary Shareholders resident outside the UK can also have any dividends in excess of £10 paid into their bank account directly via Capita Registrars' global payments service. Details and terms and conditions may be viewed at www.capitaregistrars.com/international.

Dividend Reinvestment Plan ('DRIP')

A DRIP service is provided by Capita IRG 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 and from Capita IRG Trustees Limited, telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 20 7763 0041; email: shares@capitaregistrars.com.

The latest date for receipt of new applications to participate in respect of the 2012 final dividend is 31 January 2013.

Share price information

The current price of the Company's shares is available on the Company's website at 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, Capita Registrars, 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 the Isle of Man. Full details can be obtained from www.capitadeal.com or by telephoning within the UK: Freephone 0800 280 2545.

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, telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737, or from the Registrar.

American Depositary Receipts ('ADRs')

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, PO Box 358516, Pittsburgh, PA 15252-8516, USA. Further information can be found on BNY's website at www.adrbnymellon.com using the symbol CMPGY and on the Company's website at www.compass-group.com.

General shareholder information

Warning about unsolicited investment contacts

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority ('FSA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.
5. Search the FSA's list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can find out about the latest investment scams. You can also call the FSA Helpline on **0845 606 1234**.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Unsolicited mail

The Company is legally obliged to make its Register of Members available, subject to a proper purpose test, to the public. As a consequence of this, some Shareholders might receive unsolicited mail. UK Shareholders wishing to limit the amount of such mail should refer to the Mailing Preference Service website at www.mpsonline.org.uk.

Identity theft – protecting an investment

Criminals may steal Shareholders' personal information, putting a holding at risk. Advice on protecting a shareholding is available on the Company's website at www.compass-group.com.

Financial calendar

Annual General Meeting:
7 February 2013

Results announcements:
Half year – May*
Full year – November*

Dividend payments:
Interim – August*
Final – February*

* Expected

Notice of 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.

See this Report and our full Corporate Responsibility Report online at **www.compass-group.com/ar12**

Notice is hereby given that the twelfth Annual General Meeting of Compass Group PLC ('the Company') will be held in the Churchill Auditorium at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Thursday, 7 February 2013 at 12 noon in order to transact the following business:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 19 to 21 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 2012.
2. To receive and adopt the Directors' Remuneration Report contained within the Annual Report and Accounts for the financial year ended 30 September 2012.
3. To declare a final dividend of 14.1 pence per ordinary share in respect of the financial year ended 30 September 2012.
4. To re-elect Sir Roy Gardner as a Director of the Company.
5. To elect Dominic Blakemore as a Director of the Company.
6. To re-elect Richard Cousins as a Director of the Company.
7. To re-elect Gary Green as a Director of the Company.
8. To re-elect Andrew Martin as a Director of the Company.
9. To re-elect John Bason as a Director of the Company.
10. To re-elect Sir James Crosby as a Director of the Company.
11. To re-elect Susan Murray as a Director of the Company.
12. To re-elect Don Robert as a Director of the Company.
13. To re-elect Sir Ian Robinson as a Director of the Company.
14. To re-appoint Deloitte LLP as the Company's Auditor until the conclusion of the next Annual General Meeting of the Company.
15. To authorise the Directors 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 £125,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £125,000.

    Any terms used in this Resolution which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution 16.

Notice of meeting

17. That the changes to the structure of the performance conditions to apply to future awards granted under The Compass Group PLC Long Term Incentive Plan 2010, described in the notes to the Resolutions contained in this Notice of Meeting, be and are hereby approved.

18. 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, 6 May 2014; for that period the section 551 amount shall be £61,435,170 and, in addition, the section 551 amount shall be increased by £61,435,170, provided that the Directors' power in respect of such latter amount shall only be used in connection with a rights issue:

    18.1 to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
    18.2 to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers 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 renew, subject to the passing of Resolution 18 above, the power conferred on the Directors by Article 13 of the Company's Articles of Association, such authority to apply until the conclusion of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, 6 May 2014 and for that period the section 561 amount is £9,215,270.

20. 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 10 pence each in the capital of the Company subject to the following conditions:

    20.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 184,305,500;
    20.2 the minimum price (exclusive of expenses) which may be paid for each ordinary share is 10 pence;
    20.3 the maximum price (exclusive of expenses) which may be paid for each ordinary share is, in respect of a share contracted to be purchased on any day, 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
    20.4 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 6 August 2014, 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).

21. To authorise the Directors to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear 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

Mark J White
General Counsel and Company Secretary
20 December 2012

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 Annual General Meeting ('AGM') ('the Meeting') the audited accounts and the Directors' and Auditor's Reports for the financial year ended 30 September 2012.

Resolution 2 – Directors' Remuneration Report

In accordance with section 439 of the Companies Act 2006 ('the CA 2006'), Shareholders are requested to approve the Directors' Remuneration Report. The Directors' Remuneration Report is set out on pages 53 to 65 of the 2012 Annual Report and Accounts.

Resolution 3 – Final Dividend

The final dividend for the year ended 30 September 2012 will be paid on 25 February 2013 to Shareholders on the register at the close of business on 25 January 2013, 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 26 and 27 of the 2012 Annual Report.

In line with the provisions of the Company's Articles of Association, Dominic Blakemore, who was appointed by the Board since the date of the last AGM, will submit himself for election by Shareholders.

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 ('the Code'), all the Directors will submit themselves for annual re-election by Shareholders. The Chairman is satisfied that the performance of each of the Directors continues to be effective and to demonstrate commitment to the role.

Resolutions 14 and 15 – Auditor

The Auditor is appointed at every general meeting at which accounts are presented to Shareholders. The current appointment of Deloitte LLP as the Company's Auditor will end at the conclusion of the AGM and it has advised of its willingness to stand for re-appointment. It is normal practice for a company's directors to be authorised to agree how much the Auditor should be paid and Resolution 15 grants this authority to the Directors.

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 2014 (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 £125,000 for the Company and for subsidiary companies.

Resolution 17 – Proposed Changes to Long Term Incentive Plan Performance Conditions

The Compass Group PLC Long Term Incentive Plan 2010 ('LTIP') was approved by Shareholders on 5 February 2010. The Company confirmed that it would seek Shareholder approval for material changes to the performance conditions governing the vesting of awards. Resolution 17 proposes, subject to Shareholder approval, to amend the LTIP plan rules in respect of changes to the performance conditions applying to any future awards, following approval by Shareholders.

Under the current LTIP performance conditions 50% of each award will vest based on Group Free Cash Flow ('GFCF') and 50% on Total Shareholder Return ('TSR'). It is proposed that for future awards:

- Return on Capital Employed ('ROCE') is introduced as an additional performance measure;
- GFCF and TSR remain as performance measures; and
- each of the three measures carries an equal weighting of one third.

The Committee considers that the inclusion of ROCE as a performance target would further align the targets to Executive Directors' performance and Shareholders' interests.

It is also proposed that the Remuneration Committee will retain its discretion to reduce the vesting of awards if it does not believe that the underlying financial performance of the Group justifies such vesting.

No changes to individual award limits are proposed. These are currently set at a maximum of 200% of basic salary per annum for Executive Directors.

Further details are set out in the Directors' Remuneration Report on pages 53 to 65.

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 £61,435,170. This represents 614,351,700 ordinary shares of 10 pence each in the capital of the Company, which is approximately one third of the Company's issued ordinary share capital as at 1 December 2012 (being the last practicable date prior to the publication of this Notice). The Company does not currently hold any shares as treasury shares. The authority would, unless previously renewed, revoked or varied by Shareholders, remain in force up to the conclusion of the AGM of the Company to be held in 2014, or 6 May 2014, whichever is earlier.

In accordance with the Association of British Insurers Allotment 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 in connection with a rights issue in favour of ordinary Shareholders with a nominal value of up to £61,435,170 (representing 614,351,700 ordinary shares of 10 pence each). Such additional authority will be valid for a period of one year or until the conclusion of the next AGM, whichever is the sooner.

Notice of meeting

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 as at 1 December 2012, 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.

Resolution 19 – 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.

Resolution 19 seeks to renew the Directors' authority to issue equity securities of the Company for cash 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 would be limited to a maximum nominal amount of £9,215,270. This represents 92,152,700 ordinary shares of 10 pence each in the capital of the Company, which is approximately 5% of the Company's issued ordinary share capital as at 1 December 2012 (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 2014 or on 6 May 2014, 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 either of the authorities sought by Resolutions 18 and 19 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 and the Board confirms its intention to follow best practice set out in the Pre-emption Group's Statement of 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 20 – 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 184,305,500 shares (just under 10% of the issued ordinary share capital as at 1 December 2012, 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 Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003. These regulations allow shares repurchased by the Company to be held as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of employee share 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 be treated as if cancelled.

The Company expects its existing £500 million share repurchase programme to be executed by the end of December 2012. On 21 November 2012, the Company announced its intention to commence a further £400 million share repurchase programme, to be executed over the 12 month period to the end of December 2013. Beyond these programmes, the Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but they consider it desirable to provide maximum flexibility in the management of the Company's capital resources. The Directors would only purchase shares if, in their opinion, the expected effect would be to result in an increase in earnings per share and would benefit Shareholders generally.

As at 1 December 2012 (being the last practicable date prior to the publication of this Notice), there were options outstanding over approximately 21,185,400 ordinary shares in the capital of the Company which represent 1.15% 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 1.28% of the Company's issued ordinary share capital (excluding treasury shares).

Resolution 21 – Notice of Meetings other than Annual General Meetings

The Company's Articles of Association allow the Directors to call general meetings other than Annual General Meetings on 14 clear days' notice. However, the Companies (Shareholders' Rights) Regulations 2009 ('the Regulations') require that all general meetings 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 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 21 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 2013 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:

- completing and returning the Form of Proxy enclosed with this Notice to PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- going to www.capitashareportal.com and following the instructions for electronic submission provided there; or
- by 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) for further information.

Return 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, 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 the 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 Registrars of the Company by 12 noon on Tuesday, 5 February 2013.

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 2013. Please note, however, that proxy messages cannot be sent through CREST on weekends, bank holidays or after 8.00 p.m. 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 6.00 p.m. on Tuesday, 5 February 2013 or, in the event that the Meeting is adjourned, in the Register of Members 48 hours 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 6.00 p.m. on 5 February 2013 or, in the event that the Meeting is adjourned, less than 48 hours 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 section 338 and section 338A of the Companies Act 2006, Shareholders meeting the threshold requirements in those sections 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 27 December 2012, being the date six clear 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.

Notice of meeting

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 1,000 ordinary shares each or Shareholders holding at least 5% of the Company's issued ordinary share capital 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 proposed amended LTIP rules 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 and will also be made available at the Meeting for a period of 15 minutes prior to and during the continuance of the Meeting.

Total voting rights

As at 1 December 2012 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprised 1,843,055,378 ordinary 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 2012 were 1,843,055,378.

Information available on website

The following information is available on the Company's website at 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; and
(iv) Shareholders' statements, resolutions and matters of business received by the Company after 20 December 2012.

Time of the AGM

The doors of The Queen Elizabeth II Conference Centre will be open at 10.30 a.m. and the AGM will start promptly at 12 noon.

If you are planning to attend the AGM, The Queen Elizabeth II Conference Centre is located in the City of Westminster. Please see the map below.

Attending the AGM

If you are coming to the AGM, please bring your attendance card 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 2012 so that you can refer to them at the AGM. All joint Shareholders may attend and speak at the AGM. However, only the first Shareholder listed on the Register of Members is entitled to vote. 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.

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 question to the Company's website.

Voting at the AGM
The Company proposes 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.

After each Resolution is put to the Meeting, you will be asked to cast your vote. 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 on a screen at the front of the Meeting.

The 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 announced at the Meeting and published on the Company's website 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.

Not attending the AGM
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 security reasons, all hand baggage may be subject to examination. Please note that laptop computers, recording equipment, cameras and similar such equipment may not be brought into the AGM. Briefcases, umbrellas and other bulky items should be deposited in the cloakroom, situated on the ground floor.

Please ensure that all electronic equipment is switched off throughout the AGM.

Tea and coffee will be available before the Meeting and light refreshments will be served afterwards.

The following facilities will be available at The Queen Elizabeth II Conference Centre:

- sound amplification/hearing loop;
- wheelchair access; and
- sign language interpreters.

Anyone accompanying a Shareholder in need of assistance will be admitted to the AGM. If any Shareholder with a disability has any question regarding attendance at the AGM, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ by 31 January 2013.

Security
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.

Shareholder enquiries
Capita Registrars maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Capita Registrars, 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, PO Box 358516, Pittsburgh, PA 15252-8516, USA.

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 2012 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.

Index to the consolidated financial statements

Index to the Parent Company financial statements

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 and Transparency Rules of the Financial Services 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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