



# Our formula for growth

Annual Report 2013

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50

Countries



50,000+

Client locations



500,000+

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/ar13](http://www.compass-group.com/ar13)

## Compass Group PLC

We deliver great food and support services to millions of people around the world every day. We have a clear and consistent formula in place to drive sustainable growth.

### Revenue

|    |          |
|----|----------|
| 13 | £17,557m |
| 12 | £16,905m |
| 11 | £15,833m |

### Underlying operating margin

|    |      |
|----|------|
| 13 | 7.1% |
| 12 | 6.9% |
| 11 | 6.9% |

### Underlying basic earnings per share

|    |       |
|----|-------|
| 13 | 47.7p |
| 12 | 42.6p |
| 11 | 39.0p |

### Underlying operating profit

|    |         |
|----|---------|
| 13 | £1,265m |
| 12 | £1,178m |
| 11 | £1,091m |

### Reported profit before tax

|    |       |
|----|-------|
| 13 | £721m |
| 12 | £789m |
| 11 | £958m |

### Dividends per ordinary share

|    |       |
|----|-------|
| 13 | 24.0p |
| 12 | 21.3p |
| 11 | 19.3p |

# Our regions

With differing opportunities and challenges in each geographic region, the Group's management structure brings an incisive focus to each area.

With around 90% of revenue generated outside the UK, Compass is a truly international business with operations in around 50 countries. The business is managed in three regions, with each comprising countries that are at similar stages of development and display similar market dynamics.



## North America

£8,150m

**Revenue**  
(2012: £7,517m)

47%

**% of Group revenue**  
(2012: 44%)

North America is the core growth engine for the Group. We have a market leading business there, which delivers excellent levels of growth and steady margin expansion. Having first established the business in 1994, we are now the 11th largest private sector employer in the USA and serve around six million meals a day.



Find out more on page 32



## Europe & Japan

£6,039m

**Revenue**  
(2012: £6,243m)

34%

**% of Group revenue**  
(2012: 37%)

Our Europe & Japan region covers 23 countries. Despite difficult economic conditions in Europe, our teams there are doing an excellent job in mitigating the impact and we see good medium term growth opportunities across the region. We continue to see steady progress in our business in Japan.

[Find out more on page 34](#)

## Fast Growing & Emerging

£3,368m

**Revenue**  
(2012: £3,145m)

19%

**% of Group revenue**  
(2012: 19%)

The Fast Growing & Emerging region offers excellent growth potential and is likely to become a larger part of the Group as we expand our presence in these markets. Revenue has doubled and profits quadrupled since 2006 and we are making significant investment in management and infrastructure to support our growth.

[Find out more on page 36](#)

# Our sectors

Our sectorised approach is a key differentiator. In recognition that each sector has specific requirements, we assign specialists to drive tailor made solutions and operating efficiency.

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



## 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



# 41%

**Group revenue**  
(2012: 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**  
(2012: 16%)



## 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 services to residential homes and home meal delivery services.

### Major sector brands



# 20%

**Group revenue**  
(2012: 19%)

## 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



# 10%

**Group revenue**  
(2012: 10%)

## Defence, Offshore & Remote

Through our established 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 areas of conflict.

### Major sector brands



# 13%

**Group revenue**  
(2012: 13%)

# Chairman's statement

## Our formula for success

Thanks to the dedication of our people, we have grown stronger as a company, delivering consistent results and creating substantial value for our shareholders.



# 30

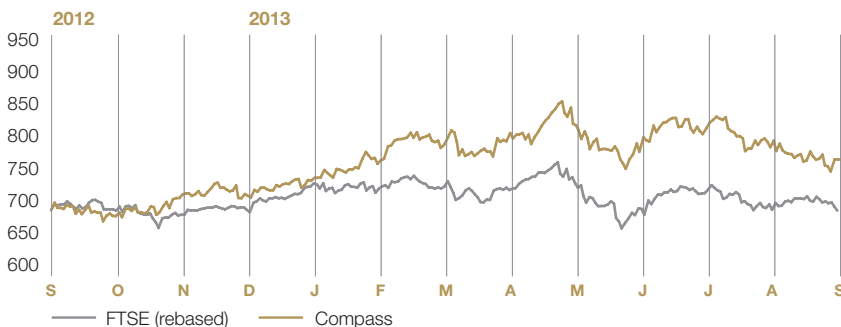
Position in FTSE 100 Index as at 30 September 2013 (2012: 32)

|         |       |
|---------|-------|
| 1 year  | 11.8% |
| 2 years | 37.1% |
| 3 years | 43.8% |

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

### Share price

Compass Group share price performance vs the FTSE 100 Index



FTSE 100 has been rebased to the Compass Group share price on 28 September 2012 (683.50p)

### Our values

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



I am delighted to report, in what is my last Chairman's statement for Compass, another successful year in which we have grown revenue and operating profit, delivering a margin of over 7% for the first time. This is a remarkable achievement and I am immensely proud of the hard work and commitment shown by my colleagues around the Group.

Since I joined Compass in 2005, we have faced some extraordinary challenges. We first rebuilt the foundations of the business on a stronger and more sustainable footing, putting the creation of shareholder value as our priority. We implemented new governance processes and took positive action to rebuild our reputation. We exited non-core businesses and countries to bring a greater focus and discipline to our growth. Our management team, led by Group Chief Executive Richard Cousins, put in place a consistent, and now proven, strategy with food at our core allied to a growing support services business, recognising the attractive structural growth opportunities of each. Our business model is robust. The Management and Performance (MAP) framework introduced process and efficiency and continues to be a key element of our success. Over the years, we have faced significant economic challenges but, thanks in large part to the dedication of our people, we have grown stronger as a company, delivering consistent results and creating substantial value for our Shareholders. As I prepare to hand over the Chairmanship to my successor, Paul Walsh, I am confident that I am leaving the business in very good shape.

### Commitment to corporate responsibility

Corporate responsibility underpins our business, driving our decisions and enabling us to achieve our strategic goals in a responsible and sustainable way. The Board is fully committed to the integration of corporate responsibility across the Group and a focus on broader social and environmental issues to benefit the communities in which we operate. Our teams around the Group work hard to continuously enhance the positive contribution we make. We focus on the responsible use of resources, the health and wellbeing of our consumers and on creating opportunities for greater engagement with local communities.

Since we started our corporate responsibility journey in 2007, we have seen continued improvement in our performance. Details of our progress can be found on pages 20 to 25.

### Shareholder returns

I am proud of the significant value we have created for our Shareholders. Since 2005, Compass has delivered a total return of 455% to our Shareholders, well above the 66% for the FTSE 100 as a whole.

We remain committed to a progressive dividend policy and this year the Board is proposing a final dividend of 16.0 pence for payment on 24 February 2014. This brings our total dividend for 2013 to 24.0 pence, a year on year increase of 12.7%.

In addition to this, the confidence we have in our future performance and our current investment requirements mean we are able to drive greater efficiency into the balance sheet with a further share buyback of £500 million, which we expect to complete in the 2014 calendar year. Separately, the current £400 million share buyback programme remains on track to complete before the 2013 calendar year end.

### Leadership

During the year, James Crosby stepped down from the Board and Sir Ian Robinson was appointed both Senior Independent Director and Chairman of the Remuneration Committee. Sir Ian has been a Non-Executive Director of Compass since December 2006 and has brought a wealth of experience to the Board.

I am also delighted to welcome Paul Walsh to the Group as my successor. Paul will join as a Non-Executive Director from 1 January 2014 and will become Non-Executive Chairman at the conclusion of the Annual General Meeting on 6 February 2014.

Paul has had an extensive career, most recently as Chief Executive Officer of Diageo plc. His experience leading one of the UK's largest international companies through a period of significant global expansion makes him an excellent addition to our Board and I wish him every success in his role as Chairman of Compass.

Our Board is supported by the Group's Executive Board, led by our Group Chief Executive Richard Cousins and by strong leadership teams across our geographies. We have worked hard to put in place effective succession and development programmes and the continued strong results we have achieved are testament to these efforts.

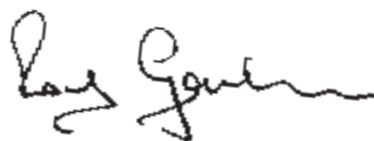
### Our people

Over the years I have spent as Chairman of Compass, it has been my privilege to meet many of our people across the world. I have been consistently impressed by the quality and commitment of our teams. Our people are a key element of our formula for success and, on behalf of the Board, I would like to thank them for their continued dedication and add my personal thanks for what we have achieved together.

### Summary and outlook

Compass has had a good year, delivering solid organic revenue growth and a 20 basis point increase in the Group operating margin, which is now over 7% for the first time. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have grown strongly and our operating margin in North America has remained above 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 economic conditions in Europe & Japan will remain challenging. However, the actions we are taking give us confidence in another year of delivery.

We remain very positive about the opportunities to grow the business and we are well placed to capitalise on the significant structural growth potential in both food and support services globally. We also expect to deliver further cost efficiencies which will help to support future growth and enable us to make further progress in the operating margin. As a result, we remain confident in our ability to continue to create significant value for our Shareholders.



**Sir Roy Gardner**  
Chairman  
27 November 2013

# Our Board



## 1 Sir Roy Gardner Chairman (Age 68)

**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. Director of Mastpoint Ltd, R.A.G. Associates Limited, Ayot Nominees Limited, Companion of the Institute of Management and Advisor to Antin Infrastructure Partners. Fellow of the Royal Aeronautical Society and Fellow of the Royal Society of Arts.

## 2 Richard Cousins Group Chief Executive (Age 54)

**Appointment** Appointed Group Chief Executive in May 2006.

**Committee membership** Corporate Responsibility, Executive Board, 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.

## 4 Gary Green Group Chief Operating Officer, North America (Age 56)

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

**Committee membership** Executive Board 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.

## 3 Dominic Blakemore Group Finance Director (Age 44)

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

**Committee membership** Corporate Responsibility, Disclosure, Executive Board 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 at PricewaterhouseCoopers LLP.

**Current external appointments** Non-Executive Director of Shire plc (effective 1 January 2014).

## 5 Andrew Martin Group Chief Operating Officer, Europe & Japan (Age 53)

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

**Committee membership** Executive Board 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.



## 6 John Bason Non-Executive Director (Age 56)

**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.

## 9 Sir Ian Robinson Senior Independent Non-Executive Director (Age 71)

**Appointment** Appointed to the Board in December 2006.

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

**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** Member of the Takeover Panel and Fellow of the Royal Academy of Engineers.

## 7 Susan Murray Non-Executive Director (Age 56)

**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.

## 10 Mark White General Counsel and Company Secretary (Age 53)

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

**Committee membership** Corporate Responsibility and Executive Board. Secretary to Audit, 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** Member of the Upper Tribunal, Tax and Chancery Chamber.

## 8 Don Robert Non-Executive Director (Age 54)

**Appointment** Appointed to the Board in May 2009.

**Committee membership** Audit, Corporate Responsibility, Nomination and Remuneration.

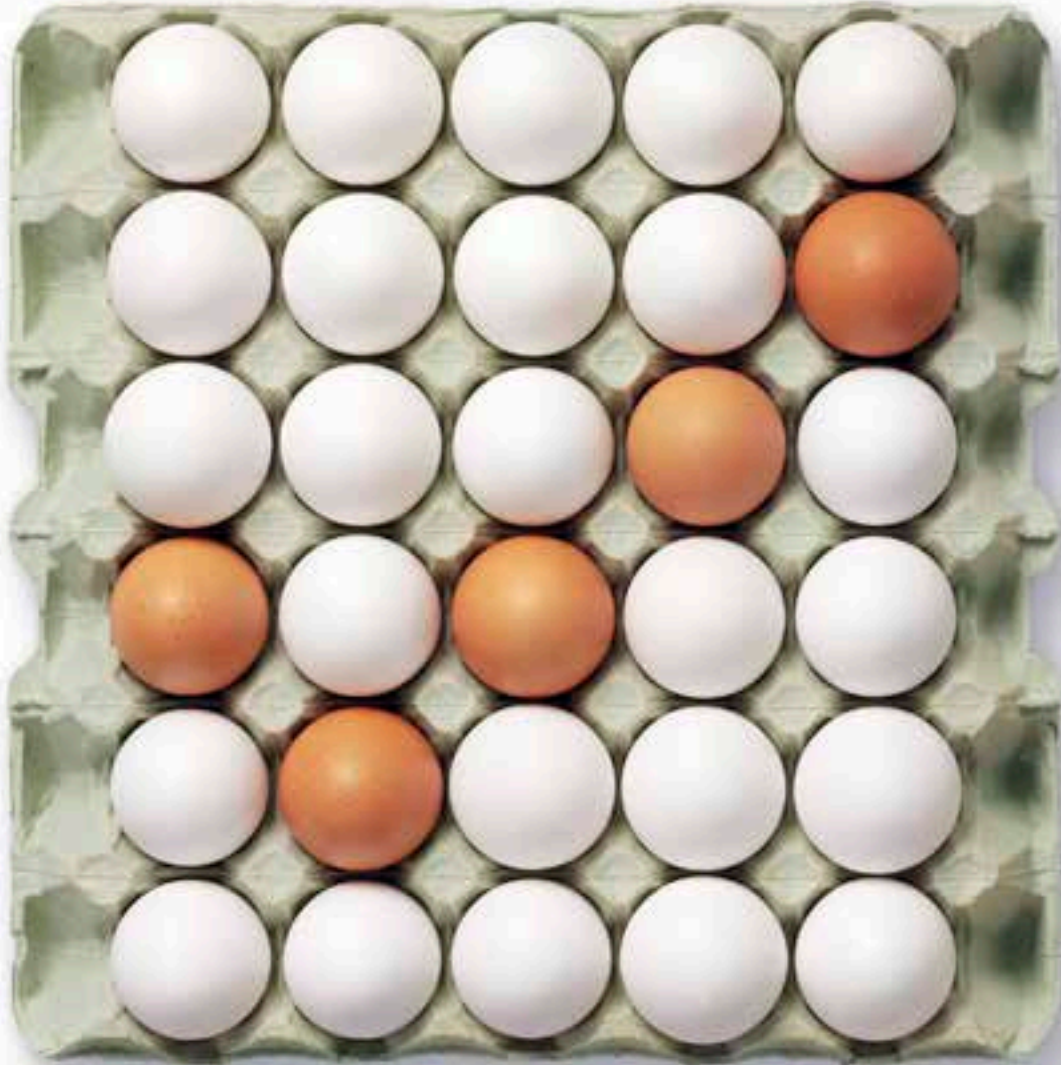
**Skills and previous experience** Don was formerly Chairman of the Consumer Data Industry Association and previously held positions with First American Corporation, Credco, Inc. and US Bancorp.

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

## Market perspective

# Our view

The growth potential in the outsourced food and support services markets is a key driver. Our global reach, local and sector knowledge and world class service capability allow us to help clients achieve greater efficiency whilst ensuring the highest quality of service.



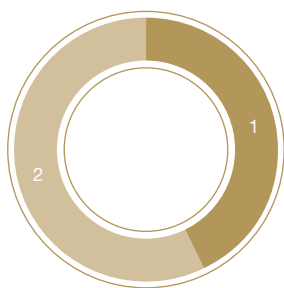
# £400bn+

Combined size of addressable food and support services markets

# <50%

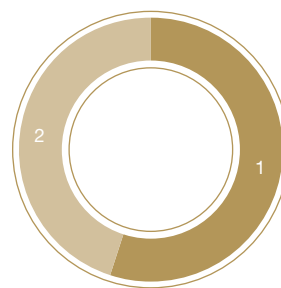
Proportion of food service market currently outsourced

## Outsourcing penetration rates for addressable food and support services markets



### Food service

- 1 Outsourced
- 2 Self operated



### Support services

- 1 Outsourced
- 2 Self operated

Compass provides outsourced food and support services. The estimated size of the food service market is around £200 billion and currently less than 50% is outsourced. The support services market is much larger and equally under penetrated. Both are highly fragmented markets offering significant growth opportunities. For example, international companies like us are believed to comprise less than 20% of the total food service market and much less in the support services arena.

As an international business with high standards of health and safety and service excellence, we are winning more and more business with organisations that are choosing to take advantage of the quality and cost benefits we can bring to them, whilst allowing them to fully focus on running their own operations. 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. With over 80% of the food service market either self operated or outsourced to these small, regional service providers, this is an attractive feature of our business and the potential for growth is significant.

In the Fast Growing & Emerging region, the strong economic growth and the resultant emergence of a new middle class offer exciting opportunities for Compass to grow as both local and international organisations look to established partners to meet their food and support service needs. We estimate that the total food service market in this region is just under £60 billion and less than 30% is outsourced. An exciting opportunity, but one we will approach in a measured way. We are therefore investing in management and processes to support sustainable and disciplined growth.

We see opportunities for growth across all the sectors in which we operate, most significantly in Healthcare & Seniors and Education, which have a combined global market value of about £95 billion. The relatively low outsourced penetration rates in these sectors are particularly attractive and we believe that, as economic conditions continue to put pressure on the public and private sectors, the benefits of outsourcing will become ever more apparent. Our largest sector, Business & Industry, is the most outsourced but continues to grow and provides excellent potential globally.

## Business model

# Our formula for growth

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



4.3%

**Organic revenue growth**  
(2012: 5.4%)

7.1%

**Underlying operating margin**  
(2012: 6.9%)


12.7%

**Dividend per share growth**  
(2012: 10.4%)

## Our virtuous circle


### Organic revenue growth

Our core focus is on organic growth. We have a strong sales culture across the Group and we work hard to satisfy and retain our customers. Our geographic spread and the dynamic markets we operate in mean there are plenty of opportunities to continue to grow organically.

 Find out more on page 16


### Competitive advantage

This, in turn, improves competitiveness, helping us to achieve our goal of being the lowest cost, most efficient provider of quality food and support services; which brings us back to the beginning of the circle, helping us to drive further organic growth (see our KPIs on pages 14 and 15).

 Find out more on page 26


### Operating efficiencies

As we grow, we can take advantage of our scale in processes such as procurement and in operational synergies. The relentless focus on efficiencies that our Management and Performance (MAP) framework drives enables us to deliver margin improvement as well as to reinvest in our business and in the exciting opportunities across our three regions.

 Find out more on page 19

### Our people

Our people are at the heart of delivering excellent service to our customers and achieving our objectives. We want the best people, who share our values, to join Compass, develop themselves and their careers with us and contribute to and share in our success.

 Find out more on page 29


## How we deliver

### Innovate

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 level of service.

### Prepare

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 food arrives at one of our more than 50,000 locations, it is prepared by our highly trained and qualified employees.

 See Our CR commitments and progress on pages 22 to 25

### Source

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.

### Provide

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 is our people looking after our clients' people.

## Our strategy

# Our formula for delivery

## Disciplined growth + Operating efficiencies

Our core focus is on delivering sustainable shareholder value from the provision of food service to the growing outsourced market. In addition to this, we continue to build a strong capability in support and multi services. Our principal aim is to grow organically and with discipline. We supplement this growth with small infill acquisitions where they deliver new expertise or help to build scale in our existing geographies.

### Focus on food

Food is our core business and from where we derive three quarters of our annual revenue. From kindergarten to university, at your workplace, helping you celebrate special occasions and sporting triumphs as well as looking after you when you're ill, Compass is there to provide high quality, nutritious and well balanced meals to meet your needs. Our teams of award winning chefs, nutritional and health and safety experts allow our clients to focus on their own business needs by outsourcing this responsibility to us, and our size and experience allow us to help them save money. The structural opportunity in the outsourced market is a key growth driver (see page 10).

### Growing support and multi services

Support and multi services (where we provide food and a range of support services) are also an important part of our business. Our strategy differs by country and by sector where attitudes to support services vary significantly. We are therefore increasing our capabilities in an incremental and low risk way on a country by country basis. The concept of multi services is most developed in the Defence, Offshore & Remote sector where we have provided these services for nearly 20 years. We also see exciting opportunities in Healthcare & Seniors, Business & Industry and Education. Our focus is on soft support services such as cleaning, reception and some building maintenance.

### How we drive organic growth

#### MAP 1: Client sales and marketing

We are investing more and more in our sales teams, driving innovation and quality through process and training. Even in countries where we have faced economic challenges, such as in Europe, we have achieved strong new business growth. Our Strategic Alliance Group, which focuses on retaining existing clients, is being rolled out across the Group and is gaining real traction. MAP 1 is fundamental to our business and we have an exciting pipeline of opportunities ahead.

### How we deliver efficiencies

#### MAP 3: Cost of food

Food makes up around one third of our costs. In addition to the benefits of our purchasing scale, we are able to manage the cost of food by careful menu management and through rationalising the number of products we buy and the suppliers we buy from. This has helped us to mitigate some food price inflation.

### Key performance indicators

# 4.3%

**Organic revenue growth**  
(2012: 5.4%)

# 7.1%

**Underlying operating margin**  
(2012: 6.9%)



# = Sustainable shareholder value

## Geographic spread, fast growing and emerging markets

Our international presence across about 50 countries gives us a good geographical mix and diversifies our revenue sources. It also allows us to serve multinational businesses, ensuring consistency of quality, service and standards across their organisations. Our presence in fast growing and emerging markets has grown significantly and we expect this region to become a larger part of the Group over time. Demographics and underpenetrated outsourcing markets (see page 10), we believe, will support continued and sustainable growth.

## Organic growth, supplemented by infill acquisitions

The main engine of growth is organic. Allied to this, we have a disciplined acquisition strategy and will make small to medium sized infill acquisitions in food or support services where they add either capability or scale in our existing markets. People are essential to what we do and we have an excellent track record of retaining management teams from acquired companies. Acquisitions need to make financial, as well as strategic, sense and we expect to achieve returns in excess of our cost of capital by the end of year two of ownership.

## Ongoing drive for efficiencies

The drive for efficiencies has become a culture of the business and one that we believe will be a constant in the ongoing ethos of Compass. Over the last seven years, we have increased the Group margin by 270 basis points through the application of our MAP framework. These efficiencies enable us both to progress the margin and to reinvest in the significant growth opportunities around the Group. In addition, the strong cash flow this generates supports our progressive dividend policy and the significant shareholder value we expect to continue to deliver.

### MAP 2: Consumer sales and marketing

We continuously strive for innovation in our consumer offers and invest in training to drive service excellence. A significant contributor to like for like volume, a key constituent of organic growth, is the number of people at a client's site. This reflects macro economic conditions and, in particular, employment levels. Whilst we have no influence on the macro economy, we work hard to attract and satisfy our customer base with strong consumer propositions, intelligent marketing, retail skills and attractive pricing.

### MAP 4: In unit costs

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

### MAP 5: Above unit overheads

Having reduced costs considerably when MAP was first introduced by creating a simpler organisational model with fewer layers of management and less bureaucracy, we now strive to leverage those gains by maintaining costs at a constant level whilst still growing revenue.

# £834m

**Underlying free cash flow**  
(2012: £760m)

# 19.1%

**Return on capital employed**  
(2012: 18.2%)

# 47.7p

**Underlying basic earnings per share**  
(2012: 42.6p)

Organic revenue growth + Operating efficiencies + Competitive advantage + Our people

# Organic revenue growth

Organic revenue is the foundation of our strategy to deliver sustainable growth. It is generated from winning new contracts, retaining existing clients and increasing consumer participation and spend in our restaurants.

Winning new business is a clear strength for Compass and, as the trend to outsourcing accelerates around the world, we see exciting opportunities in all of our regions and sectors. Through the Strategic Alliance Group (SAG), our best practice retention model originally developed in the US, our retention rate remains high, and we continue to provide clients and consumers with award winning innovation and service. We will maintain our focus on disciplined and intelligent growth.

Retention of contracts is critical to the overall health of our business and the SAG model continues to be rolled out around the world. It is a semi-independent team that is dedicated solely to retention. They take a pre-emptive approach; firstly, by interviewing clients to determine how we can improve our quality and service and, secondly, by proactively renegotiating contracts. Being a standalone team gives them the independence to receive honest feedback from clients and their operational experience means that they are trusted by our managers. Where we've adopted this model, we've seen consistent improvement and we're confident that its ongoing adoption will result in a better underlying retention rate for the Group overall. For example, since the implementation of SAG, our Japanese business has seen its retention rate improve to 96% in 2013.





Organic revenue growth + Operating efficiencies + Competitive advantage + Our people

# Operating efficiencies

Our success relies on us delivering the highest standards of quality and performance, whilst constantly driving to be the most efficient provider.

We generate savings through adopting a more systematic approach to our supply chain and better managing our labour and above unit overheads. We control our food costs by leveraging our scale and retaining discipline in our supplier and product base. We improve our labour productivity through better scheduling and planning, making us a more competitive business. As a result, we're able to reinvest in the Group and drive organic revenue growth, as well as delivering good levels of margin progression.

Ensuring that the necessary supplies reach our 50,000+ locations means that logistics is a significant part of our cost base. Reducing the amount of food miles within our business makes sense from both a commercial and environmental perspective. It not only reduces complexity and cost, but it also ensures that our business has a more positive impact on the environment. Across the Group, we are successfully implementing improved logistics models to reduce the amount of deliveries required to each location on a daily basis, as well as consolidating volume with single providers.

For example, through reducing the number of delivery companies we use, our businesses in Spain and the Netherlands have generated a combined reduction of over 1.5 million litres of diesel and 4,500 tonnes of CO<sub>2</sub> emissions during the year.

In the UK, our Green and Simple initiative has cut over 300,000 deliveries from our supply route per year, equivalent to nearly 6 million kilometres, winning us the Footprint Award for Environmentally Friendly Logistics in 2013.

## Acting responsibly

# Our responsibilities

The Group's strategy determines our corporate responsibility (CR) approach and progressively we are improving the business operating model to reflect more sustainable practices. CR is well established within our overall strategy of sustained growth whilst providing the highest quality of service to our customers.



119,874

**Total GHG Emissions**  
Tonnes CO<sub>2</sub>e: Scope 1 & 2  
(2012: 123,630)

7.3

**GHG Intensity Ratio**  
Tonnes CO<sub>2</sub>e/£m revenue: Scope 1 & 2  
(2012: 7.8)

6% reduction

**GHG Intensity**  
(2013 vs 2012)

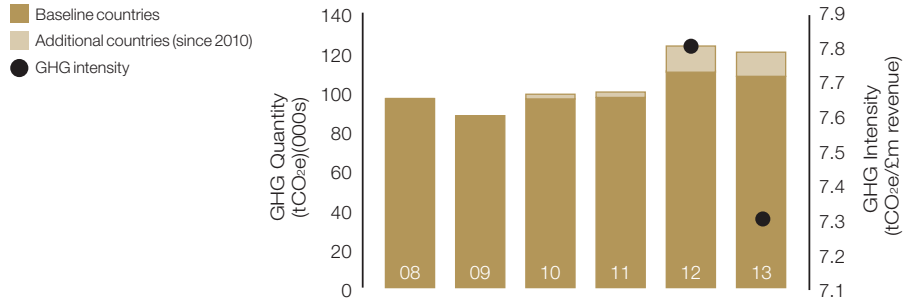


## Find out more...

We include detailed performance statistics and targets, case studies, activities and our global policies on our CR site at [www.compass-group.com/cr13](http://www.compass-group.com/cr13) or view a summary on pages 22 to 25 of this Report.

### Our environmental performance

We have calculated our GHG emissions for 10 baseline countries since 2008. In 2010, we added a further 10 countries to the reporting (in total representing 93% of Group revenue). Compared to 2012, emissions for the 10 baseline countries decreased by 2%, and including the additional countries by 3%.



Adopting responsible practices across our global operations, with particular focus on four core areas (Our People, Wellbeing, Responsible Sourcing and the Environment), places CR at the heart of our business practices and consumer proposition.

Our aim is to continuously improve the positive contribution we make through the delivery of our services by the responsible use of resources, the health and wellbeing of our consumers and employees, and the opportunities that we create in local communities. As a result, Compass is more cost efficient with a strong corporate reputation, which benefits all our stakeholders.

We operate in around 50 geographically diverse markets, each with different CR opportunities and challenges. To promote positive change in our performance across these markets, we are progressively embedding CR practices throughout the Group using our Small Steps, Big Difference framework, which clearly defines the steps we wish our businesses to implement along their CR journey.

### Our progress

Over the past year, we have made good progress against our CR commitments with additional focus on: supply chain assurance; reporting on environmental performance and employee diversity; and human rights.

#### Supply chain assurance

The security and assurance of our supply chain is important to us. Over the past year, we have refreshed our global supply chain standards to place greater emphasis on the visibility and assurance of our supply base, as well as improve product traceability. The refreshed standards are being progressively rolled out across all the markets in which we operate.

#### Performance reporting

During 2013, we enhanced the scope of our environmental performance and employee diversity reporting to meet the new UK mandatory reporting requirements.

#### Greenhouse Gas (GHG) emissions

This year's GHG emissions data has been calculated using the 2013 set of conversion factors provided by the UK Government. Subsequent years' emissions reporting will be based on the annually revised set of factors. Based on these conversion factors, the Group's total GHG emissions for its operations as at 30 September 2013 were:

| GHG Emissions by Scope | Unit                                | Quantity |
|------------------------|-------------------------------------|----------|
| Scope 1                | Tonnes CO <sub>2</sub> e            | 109,094  |
| Scope 2                | Tonnes CO <sub>2</sub> e            | 10,780   |
| Scope 1 & 2 Intensity  | Tonnes CO <sub>2</sub> e/£m revenue | 7.3      |

### Employee diversity

Our people are instrumental to our success; we respect and value the individuality and diversity that every employee brings to the business. We base our relationship with our employees on respect for the dignity of the individual and seek to create a positive, open working environment wherever we operate. As at 30 September 2013, 225,728 of our global workforce of 506,699 employees were male and 280,971 female. Of these, 723 were senior managers (541 male, 182 female), which include members of our global leadership team and individuals who are statutory directors of the corporate entities whose financial information is included in the Group's 2013 consolidated accounts in this Annual Report. In terms of the Company's Board of Directors, there were nine Directors, eight of whom were male and one female. Prior to any appointment to the Board, the Nomination Committee gives due regard to diversity and gender with a view to appointing the best placed individual for the role (see pages 8 and 9 to view biographies of the members of the Board).

### Human rights

Our employee policies are set locally to comply with local law within an overall Group framework. Our Code of Ethics sets out clear standards of behaviour that we expect all of our people to demonstrate and adhere to. The Code of Ethics, which is part of our Code of Business Conduct, underpins our social, ethical and environmental commitments and sends a clear message to our stakeholders of our commitment to responsible business practice. The ten principles of the United Nations (UN) Global Compact, to which we are a signatory, underpin our own Code of Ethics. This UN initiative encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda. Our annual Communication on Progress can be viewed at [www.unglobalcompact.org](http://www.unglobalcompact.org).

We also consider the concerns of wider communities where we operate, including national and local interests, using our expertise to help contribute to the wellbeing of communities. Compass supports the rights of all people as set out in the UN Universal Declaration of Human Rights, and gives careful consideration before doing any business in countries that do not adhere to the UN Declaration.


### 2012-2013 CR performance and targets


Our Key Performance Indicators (KPIs) relate to the business strategy and measure the sustainable development of our business. See pages 22 to 25 to view our performance against 2012-2013 targets.

# Our CR commitments and progress

## Basis for consolidation:

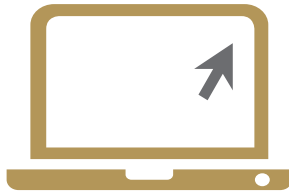
- Top 20 countries represent 93% of total Group revenue
- All KPIs relate to performance across our top 20 countries unless highlighted with \* which relate to our global performance

 Target achieved

 Target remains work in progress

| Innovate   | Key Performance Indicator   | 2012-2013 Target  | 2012-2013 Performance  |
|--|---|---|--|
| <b>Wellbeing</b>                                   | <p>Improvement in the total number of operating sites providing Balanced Choices (or equivalent healthy eating programme) to their consumers</p> <p><b>NEW</b> % of operating sites offering nutritional advice to consumers</p> <p><b>NEW</b> % of countries operating a sugar, salt and fat reduction programme</p>   | Report % improvement  |   |
| <b>Source</b>                                      |   |   |  |
| <b>Supply chain assurance and ethical sourcing</b> | <p>Improvement in the number of countries implementing the Compass Supplier Assurance Standard</p> <p><b>NEW</b> % of countries adopting our global Supply Chain Standards</p> <p><b>NEW</b> % of countries with programmes in place to support:</p> <ul style="list-style-type: none"> <li>• sustainable fish/seafood</li> <li>• Fairtrade products</li> <li>• locally sourced products</li> </ul> <p><b>NEW</b> % of contracted approved suppliers who have signed the Compass Code of Business Conduct*</p> <p><b>NEW</b> % of expenditure on tea, coffee, sugar and bananas from ethical or Fairtrade sources</p> | 100% implementation by September 2013   |   |
| <b>Prepare</b>                                     |   |   |  |
| <b>Energy efficiency</b>                           | Reduction in total GHG emissions (Scope 1 & 2; energy and vehicle fuel)   | 20% reduction by 2017 (against 2008 baseline)<br><br>Report total GHG emissions – metric tonnes | <br> |
| <b>Water consumption</b>                           | Reduction in water consumption by our corporate offices<br><br><b>NEW</b> % of spend on concentrated chemicals as a % of total chemicals purchased  | 20% reduction by 2017 (against 2008 baseline)   |   |
| <b>General waste reporting</b>                     | % improvement in recycling of waste from Compass offices by 2017<br><br><b>NEW</b> % of sites where cooking oil is recovered and recycled   | 25% improvement in recycling of waste from Compass offices by 2017 (against 2011 baseline)      |   |
| <b>Food waste</b>                                  | Implement Trim Trax (or equivalent food waste reduction programmes)   | 100% implementation by September 2013   |   |





### Find out more...

Go to [www.compass-group.com/cr13](http://www.compass-group.com/cr13) to learn more about our Key Performance Indicators

## 2012-2013 Review

We are making good progress with the provision of healthy eating programmes to our consumers. We display calorie and Guideline Daily Amount labelling which helps our consumers 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, and we are in the process of implementing improved consumer signposting on allergens, ahead of the new EU labelling regulations in 2014.

We have made good progress with all of our top 20 countries having implemented the Standard.

We have refreshed our global Supply Chain Standards to provide greater emphasis on supplier assurance and product traceability. The new standards are being progressively rolled out across all markets.

In 2012, we started to collate data from countries on our new supply chain KPIs. This data will form our baseline against which we will report our progress in the 2014 Annual Report.

## 2012-2017 KPI Targets

100% of operating sites providing Balanced Choices or similar healthy eating programmes to their customers by 2015

100% implementation by September 2015

% of countries with programmes in place to support:

- sustainable fish/seafood
- Fairtrade products
- locally sourced products

100% of contracted approved suppliers to sign the Compass Code of Business Conduct by December 2014

Report % of expenditure on tea, coffee, sugar and bananas from ethical or Fairtrade sources

The trend across our operations is positive with improvements being achieved against the 2008 baseline.

We have calculated our Scope 1 and 2 GHG emissions since 2008 and this year, we enhanced the scope of our environmental performance reporting to meet the new mandatory reporting requirements of the Companies Act 2006.

Compass Group's disclosure in accordance with this legislation, is stated in the table below:

| GHG Emissions by Scope | Unit                                | Quantity |
|------------------------|-------------------------------------|----------|
| Scope 1                | Tonnes CO <sub>2</sub> e            | 109,094  |
| Scope 2                | Tonnes CO <sub>2</sub> e            | 10,780   |
| Scope 1 & 2 Intensity  | Tonnes CO <sub>2</sub> e/£m revenue | 7.3      |

GHG intensity has decreased by 6% since 2012, showing that our emissions are reducing whilst our revenue continues to increase.

GHG emissions for 2013 covered 93% of consolidated Group revenue and we are seeking continuous improvement in data entry and completeness in future years.

20% reduction by 2017 (against 2008 baseline)

Report total direct GHG emissions – metric tonnes

We continue to invest in water efficiency equipment and practices in our offices; however, we have seen a slow-down in our reported progress due to the restating of 2012 data for Canada and the UK.

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)

25% increase in spend on concentrated chemicals by 2015

In 2013, we improved the accuracy of data reported by our countries, including the composition of our waste by collaborating with our contractors and clients. This enables us to track progress on the proportion of waste being recycled.

25% improvement in recycling of waste from Compass offices by 2017 (against 2011 baseline)

Report % of sites where cooking oil is recovered and recycled

This year, we have successfully extended the implementation of our food waste reduction programmes, with all of our top 20 countries reporting.

100% implementation of food waste reduction programmes across our top 30 countries by September 2015

# Our CR commitments and progress

## Basis for consolidation:

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

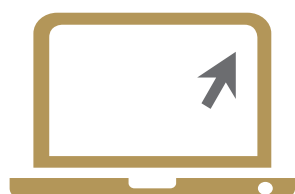


Target achieved



Target remains work in progress

| Provide                               | Key Performance Indicator   | 2012-2013 Target            | 2012-2013 Performance |
|---------------------------------------|---|-----------------------------|-----------------------|
| <b>Food safety</b>                    | Improve our global Food Safety Incident Rate (FSIR)*  | % improvement               |                       |
| <b>Occupational health and safety</b> | Improve our global Lost Time Injury Rate (LTIR)*  | % improvement               |                       |
|                                       | % of employees surveyed (our global Your Voice survey) who believe the Company places a high priority on health & safety*           | Report % improvement        |                       |
| <b>Employee retention</b>             | Measure employee retention rates for all employees:   | % total employee retention  |                       |
|                                       | <ul style="list-style-type: none"> <li>• total employees</li> <li>• management</li> <li>• site management</li> </ul>                | % management retention      |                       |
|                                       |   | % site management retention |                       |
| <b>Diversity</b>                      | % of women holding global leadership team positions*  | Report % improvement        |                       |
|                                       | <b>NEW</b> % of female representation in the global workforce*  | Report % representation     |                       |
|                                       | <b>NEW</b> % of employees surveyed (global Your Voice survey) who believe the Company embraces diversity*                           | Report % improvement        |                       |
| <b>Business ethics</b>                | Measure total number of concerns reported by employees globally, via Speak Up*  | Measure and report concerns |                       |
| <b>Employee engagement</b>            | 2013 Global Your Voice survey*:   | % participation rate        |                       |
|                                       | <ul style="list-style-type: none"> <li>• Improvement in participation rating</li> <li>• Improvement in engagement rating</li> </ul> | % engagement rate           |                       |



## Interested to know more?

Find out more about our CR activities around the world, together with global policies and performance statistics on our CR website at [www.compass-group.com/cr13](http://www.compass-group.com/cr13)

| 2012-2013<br>Review  | 2012-2017<br>KPI Targets  |
|--|---|
| <p>Compared to the 2008 baseline, we have improved our food safety performance on a global basis by 40% through strong site compliance with our global Food Safety Standards.</p>  | <p>Report % improvement (against 2008 baseline)</p>   |
| <p>Compared to the 2008 baseline, we achieved further improvement in our global Health and Safety performance by 38%. We remain committed to implementing programmes to improve our safety leadership and culture throughout the business. We are pleased that so many of our employees (80% of employees surveyed) believe that health and safety is our number one priority (2011: 79%). Sadly, we had one on-site fatality during the year.</p> | <p>Report % improvement (against 2008 baseline)</p> <p>Report % improvement (next survey 2015)</p>  |
| <p>This year, we have improved the accuracy and scope of reporting to include data relating to management and site management employee retention, as well as total employee retention.</p>   | <p>Report % improvement (against 2012 baseline) of employee retention:</p> <ul style="list-style-type: none"> <li>• total employees</li> <li>• management</li> <li>• site management</li> </ul> |
| <p>22.4% of our global leadership team positions are held by women (2012: 22%, 2011: 20.8%).</p> <p>During 2013, we enhanced the scope of our employee diversity reporting to cover all employees to meet the new requirements of the Companies Act 2006.</p> <p>We are pleased that so many of our employees (76% of employees surveyed) believe that the Company embraces diversity.</p>   | <p>Report % increase</p> <p>Report % of female representation in the global workforce</p> <p>Report % improvement (next survey 2015)</p>  |
| <p>All our countries have access to the independently operated Speak Up whistleblowing 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.</p>  | <p>Measure and report concerns with 100% follow up</p>  |
| <p>We conduct a global Your Voice employee survey every two years. 46 countries took part in the 2013 survey and we received feedback from more front line employees than ever before.</p> <p>We are pleased to have improved our employee engagement performance since our previous survey and in 2013, we achieved an engagement rate of 66% (2011: 65%).</p>  | <p>We will conduct the next Your Voice survey in 2015</p>   |

Safety first



Our people



Environment



Wellbeing



Responsible sourcing



Organic revenue growth + Operating efficiencies + Competitive advantage + Our people

# Competitive advantage

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We are ranked number one or two in most of our key markets and we share best practice across the Group to ensure we maintain this position.

We deliver value through innovating to find new and exciting ideas, sourcing high quality products, preparing delicious dishes and providing great service to our clients. By doing this in the most efficient way, we're able to stay competitive and accelerate growth in the global marketplace. The increase in organic revenue growth and operating efficiencies means we can invest in the business to support future performance, completing the virtuous circle.

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Health and safety is our number one operational priority and a clear differentiator for our business. A strong safety culture is important to our clients and is critical to the wellbeing of our colleagues and consumers. We operate a global Health, Safety and Environmental (HSE) Management System supported by policies, standards and metrics. This system underpins consistent operating standards across all of the diverse markets in which we operate. The Corporate Responsibility Committee of the Board reviews the HSE policies annually, supported by the global HSE forum, which brings together our technical specialists from around the Group.

The forum is responsible for defining policies, setting standards, measuring compliance and sharing best practice. As a result of our dedicated focus on health and safety, our global Lost Time Injury Rate has improved by 38% compared to the 2008 baseline.





Organic revenue growth + Operating efficiencies + Competitive advantage + Our people

# Our people

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At the heart of our business are our people; they are our most valuable asset. Having well trained, motivated and productive employees is an essential component of our success, both in terms of service delivery and cost management.

We are committed to investing in our people, making sure we attract, retain, develop and engage them in a consistent way around the world. We value the diversity of our employees and strongly believe that the more they reflect the diversity of our clients and consumers, the better equipped we are to deliver great service.

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Training and development programmes are important both for our employees to fulfil their potential and to help our business achieve its goals. We believe in nurturing talent, providing experience and formal qualifications to create managers and leaders of the future. In addition to the development programmes we run at a global and local level within Compass, we also work with local communities to share our knowledge and provide training. For example, our chefs in Kazakhstan have been working closely with local colleges since 2009 to organise training sessions on food safety and culinary skills. In recognition of this work to support students, Compass was nominated for the Best Partner Award at the IV International Forum 'Vocational Training and Business: Dialogue of Partners'. In South Africa, we have partnered with the Department of Education in Mpumalanga to support school performance and enhance local students' future employment opportunities.

## Chief Executive's statement

# Delivering growth



Our sustainable business model, built on organic revenue growth, operating efficiencies, competitive advantage and our people, is an established formula for growth that enables us to deliver value for our stakeholders.

Reported revenue has grown by 3.9% in the year to 30 September 2013, or 4.5% on a constant currency basis. After adjusting for the impact of acquisitions and disposals, organic growth has remained strong at 4.3% for the period.

During the year, we delivered new business growth of 8.8%, driven by a good performance in MAP 1 (client sales and marketing) in North America and Fast Growing & Emerging. Our retention rate also remained high at 94%, despite the cumulative effect of our planned exit of certain uneconomic contracts and business closures in Europe.

Like for like revenue growth of 1.8% reflects modest price increases and slightly negative like for like volume. Like for like volume continues to be broadly flat in North America, modestly positive in Fast Growing & Emerging and negative in Europe & Japan. We have retained our focus on increasing consumer participation and spend through MAP 2 (consumer sales and marketing) initiatives, developing innovative and exciting consumer propositions, and improving our people's retailing skills.

Underlying operating profit increased by 7.8% in the year on a constant currency basis, with the underlying operating profit margin increasing by 20 basis points to 7.1%. We have continued to generate efficiencies through embedding the MAP framework deeper into the business. We have maintained our focus on MAP 3 (cost of food) initiatives such as menu planning and supplier rationalisation, as well as MAP 4 (labour and in unit costs) and MAP 5 (above unit costs). These efficiencies are, in part, being reinvested in exciting growth opportunities around the world, for example, in management teams and systems in emerging markets, and helping us to manage the difficult economic conditions in Europe. They are also enabling us to deliver further improvement in the operating profit margin.

We have taken a goodwill impairment charge of £377 million in relation to our business in the UK. The goodwill principally relates to historic transactions. The impairment charge was primarily driven by an increase in the discount rate as a result of increases in UK gilt rates.

### 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 only around 50% of the market currently outsourced, 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 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 also an important part of our business and we continue to win new contracts and expand the range of services we supply to our existing clients. Our largest sector in this market is Defence, Offshore & Remote, although we also see some 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.

### Geographic spread and emerging markets

The Group has evolved significantly over the last 10 years from a predominantly European based business with just over £11 billion of revenue to the £17.6 billion global business today. Over time, we expect the split of revenue to continue to evolve.

North America (47% 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 (34% of Group revenue) are solid; however, we expect economic conditions there to remain challenging in the short term. We continue to take 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 (19% 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 trend to outsourcing increases, we would hope to see high levels of growth maintained well into the future.

### Organic growth, supplemented by infill acquisitions

Through the application of MAP 1 and MAP 2, 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. In 2013, we have invested around £104 million in such acquisitions. We continue to target financial returns ahead of our cost of capital by the end of the second year.

### Ongoing drive for efficiencies

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). During 2013, we have continued to improve our discipline around supplier and product rationalisation, recipe standardisation and labour scheduling, as well as rolling out 'lean' management techniques. 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. In addition, we are committed to growing the dividend broadly in line with constant currency earnings and maintaining a cash cover of two times. An efficient balance sheet remains a priority and we continue to target strong investment grade credit ratings, which imply a net debt to EBITDA ratio of around 1 to 1.2 times. In light of this, we have announced a further share buyback programme of £500 million for the 2014 calendar year. This will follow the current £400 million share buyback, which we expect to complete by the end of the 2013 calendar year.

### Summary and outlook

Compass has had a good year, delivering solid organic revenue growth and a 20 basis point increase in the Group operating margin, which is now over 7% for the first time. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have grown strongly and our operating margin in North America has remained above 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 economic conditions in Europe & Japan will remain challenging. However, the actions we are taking give us confidence in another year of delivery.

We remain very positive about the opportunities to grow the business and we are well placed to capitalise on the significant structural growth potential in both food and support services globally. We also expect to deliver further cost efficiencies which will help to support future growth and enable us to make further progress in the operating margin. As a result, we remain confident in our ability to continue to create significant value for our Shareholders.



**Richard Cousins**  
Group Chief Executive  
27 November 2013

# Regional review

## North America



£8,150m

**Revenue**  
(2012: £7,517m)

8.0%

**Organic revenue growth**  
(2012: 8.3%)

£657m

**Operating profit**  
(2012: £598m)

8.1%

**Operating margin**  
(2012: 8.0%)

We have had another excellent year with revenue growing organically by 8% to £8.2 billion and an operating margin of 8.1%.

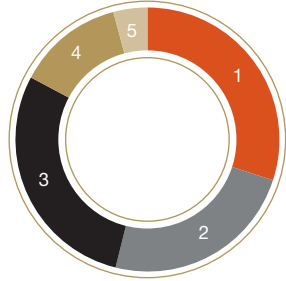
**Group revenue**

**47%**  
(2012: 44%)



**Revenue by sector**

- 1 30% Business & Industry
- 2 24% Education
- 3 29% Healthcare & Seniors
- 4 13% Sports & Leisure
- 5 4% Defence, Offshore & Remote



Organic revenue growth of 8.0% has been driven by strong new business wins in all sectors, including a contribution of just over 2% from the Ascension Health and Texas A&M contracts, and a consistently high retention rate. Like for like volume has remained broadly flat.

Operating profit increased by £53 million on a constant currency basis to £657 million (2012: £604 million). Continued progress on efficiencies and leveraging of the overhead base have delivered nearly 10% operating profit growth and a 10 basis points improvement in the margin to 8.1%.

In the Business & Industry sector, we have delivered good levels of net new business. New contract wins include food contracts with LinkedIn Corporation, AEGON USA and Sun Life Financial Inc.

Organic revenue growth in the Healthcare & Seniors sector has been excellent. In addition to Ascension Health, we have won new contracts with Butterfield Trail Village, a retirement living campus in Arkansas, and Waterbury Hospital in Connecticut. The acquisitions completed in the first half of the year also continue to enhance our coverage and service to clients.

Good organic revenue growth in the Education sector has been driven by new business wins, including food contracts with the Massachusetts Institute of Technology, The Johns Hopkins University and Ryerson University in Canada, which has more than 30,000 students. New support service contracts include the Henry County School District and Tarleton State University.

Our Sports & Leisure business has delivered double digit organic revenue growth through good net new business and high attendance levels at sporting events. New contract wins include the Portland Trail Blazers basketball team and the University of Wisconsin.

The ESS business, which provides food and support services in Alaska, Canada and the Gulf of Mexico, delivered solid organic revenue growth. New contracts include a multi service contract with Rowan Companies, the global offshore drilling services company, serving over 32,000 meals per month.

# Regional review

## Europe & Japan



**£6,039m** (3.0)%  
**Revenue**  
(2012: £6,243m)

**Organic revenue growth**  
(2012: (0.7)%)

**£420m** 7.0%  
**Operating profit**  
(2012: £397m)

**Operating margin**  
(2012: 6.4%)

Despite the ongoing difficult economic environment, we have made good progress with a 60 basis points increase in the operating margin.

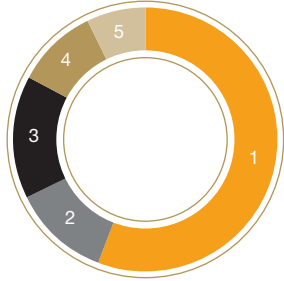
#### Group revenue

34%  
(2012: 37%)



#### Revenue by sector

- 1 56% Business & Industry
- 2 12% Education
- 3 15% Healthcare & Seniors
- 4 10% Sports & Leisure
- 5 7% Defence, Offshore & Remote



Economic conditions in many parts of Europe remained difficult throughout the year, although the trends have been in line with our expectations. Overall, revenue in Europe & Japan totalled £6.0 billion (2012: £6.2 billion), an organic decline of 3.0%.

We continue to win and retain good quality business across the region, although our rate of retention has been slightly reduced by the cumulative effect of our planned exit of certain uneconomic contracts and business closures. Important contract wins include a multi service contract with Hannover Re Group, one of the leading reinsurance groups in the world, in Germany, and in the UK, we have retained contracts with National Grid, the Jockey Club and Henley Royal Regatta. In Japan, we have won new food contracts with Yahoo Japan Corporation and real estate services company NREG Toshiba Building Co. Ltd.

As expected, like for like volume has declined by around 3.0%, with differing trends across the region. In north and east Europe, like for like volume was broadly flat overall. In France, volume trends have become more difficult through the year and they remain slightly negative in the UK, Germany and Japan. In southern Europe, like for like volume trends have been strongly negative all year.

As a result of these like for like volume declines, operating profit has been impacted by around £60 million in the year. This has been mitigated, however, by the actions we announced in September 2012, which have delivered around £70 million of benefit, in line with expectations. Also in line with our announcement last year, we have recorded a charge of £59 million in 2013 relating to the ongoing improvement in the operating efficiency of our labour base in Europe.

In the UK, we have continued to make steady progress, growing the margin by 80 basis points and operating profit by £10 million in the last two years. In 2013, it delivered in line with budget and there are no changes to our expectations for the foreseeable future. However, the significant increase in UK gilt rates over the last year has increased our cost of capital and the discount rates we use in the goodwill impairment calculation. We have therefore taken a non-cash impairment charge of £377 million to the goodwill associated with our UK business, which principally relates to historic transactions. This will reduce our UK goodwill from approximately £1.8 billion to £1.4 billion.

On an underlying basis we have delivered an increase in operating profit of £25 million, or 6.3% on a constant currency basis, to £420 million (2012: £395 million). This equates to 60 basis points of operating margin progression, increasing the margin to 7.0% for the first time.

## Regional review

# Fast Growing & Emerging



£3,368m

**Revenue**  
(2012: £3,145m)

10.2%

**Organic revenue growth**  
(2012: 11.8%)

£242m

**Operating profit**  
(2012: £235m)

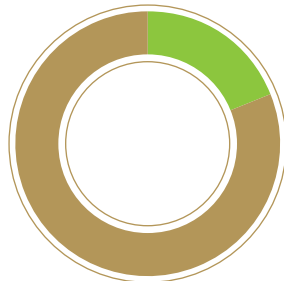
7.2%

**Operating margin**  
(2012: 7.5%)

## Strong new business wins and like for like revenue performance have delivered over 10% organic revenue growth to £3.4 billion.

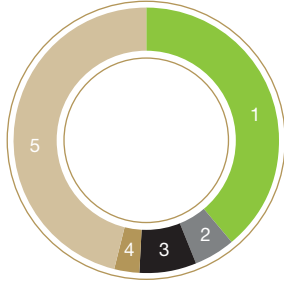
### Group revenue

19%  
(2012: 19%)



### Revenue by sector

- 1 39% Business & Industry
- 2 5% Education
- 3 7% Healthcare & Seniors
- 4 3% Sports & Leisure
- 5 46% Defence, Offshore & Remote



Overall, operating profit increased by £16 million on a constant currency basis to £242 million (2012: £226 million). We continue to see many exciting opportunities in this region and are committed to investing in management and infrastructure to support quality growth. This year, we have rolled out a new regional management structure and exited some non-core contracts. The cost of this investment is in part being funded through efficiencies but, in the short term, it has had some impact on the operating margin, which was 7.2%, 30 basis points below last year.

Australia has performed well, with organic revenue growth driven by new business wins and like for like volume growth in the Remote sector. Contract wins include a multi service contract with Saracen Gold Mines Pty Ltd in Western Australia and one of the largest ever senior living food service contracts in Australia with BlueCross, serving 26 facilities and over 1,500 residents. We expect the slight slowdown we saw towards the end of the year to continue into 2014, although good growth opportunities remain in all sectors.

In Brazil, an acceleration in new business wins has enabled us to deliver another year of strong revenue growth, despite a moderate slowdown in like for like volume, and the pipeline remains excellent. Examples of recent contract wins include Allianz Seguros, the Brazilian unit of the financial services company, and the mining company Samarco Mineração S.A. A continued focus on cost efficiencies has delivered margin progression and the business is in an excellent position to drive future progress. Elsewhere in South America, we have won a contract with Tetra Pak in Argentina and retained our multi service contract with Chevron in Colombia.

A strong performance in organic revenue in Turkey was driven by new business wins and like for like revenue growth. New contracts include the food provision for confectionery company Perfetti Van Melle and automotive group Park Teknik Elektrik. At Yilport Gempport, a subsidiary company of Yilport Holding, the port facility, we have cross sold cleaning and security services in addition to the food contract we already operated.

We have again delivered double digit organic growth in both India and China, with strong new business wins in both countries. In India, we have won a food contract with Continental Hospital in Hyderabad to serve patients, staff and visitors, and in Hong Kong with the South China Morning Post.

# Our formula for identifying and managing 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 in the constantly changing environment in which we operate.

As set out in the Corporate Governance section on pages 46 to 70, 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 (KPIs) 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 51 of the Corporate Governance section.

The table below 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 such as litigation and financial (including liquidity and credit) risk, each of which was disclosed in previous years' Annual Reports which can be found on our website at [www.compass-group.com](http://www.compass-group.com). We recognise that these risks remain important to the business and they are kept under review. However, we have focused our disclosures on those risks that are considered to be currently more significant to the Group.

| Health, safety and environment   |  |  |
|--|--|--|
| <p><b>Risk: Health and safety</b><br/> <b>Mitigation:</b> 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. Furthermore, health and safety improvement KPIs have been included in the bonus plans for each of the business' management teams effective from 1 October 2012 onwards.</p>   | <p><b>Risk: Food safety</b><br/> <b>Mitigation:</b> 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, procedures and standards in place to ensure full compliance with legal obligations and industry standards. The safety and quality of our global supply chain continue to be assured through compliance against a robust set of standards. We have recently upgraded these standards and the audit programme that underpins them to improve supply chain visibility and product integrity.</p> | <p><b>Risk: Environment</b><br/> <b>Mitigation:</b> Every day, everywhere, we look to make a positive contribution to the world in which we live and reduce our impact on the environment. We are committed to reducing direct emissions from our operations by 2017 and taking action through partnerships with clients to reduce the consumption of energy, water and waste in our operations. Our Corporate Responsibility statement on pages 20 to 25 describes our approach in more detail.</p>     |
| Clients and consumers  |  |  |
| <p><b>Risk: Client retention</b><br/> <b>Mitigation:</b> 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.</p>   | <p><b>Risk: Service delivery and compliance with contract terms and conditions</b><br/> <b>Mitigation:</b> 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.</p>  | <p><b>Risk: Changes in client demand and consumer preferences</b><br/> <b>Mitigation:</b> 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.</p>   |
| <p><b>Risk: Consolidation of food and support services</b><br/> <b>Mitigation:</b> 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.</p>   | <p><b>Risk: Bidding risk</b><br/> <b>Mitigation:</b> 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.</p>   |  |
| People   |  |  |
| <p><b>Risk: Recruitment</b><br/> <b>Mitigation:</b> 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 and 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.</p> | <p><b>Risk: People retention and motivation</b><br/> <b>Mitigation:</b> 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.</p> <p>The Group has a well established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.</p>   | <p><b>Risk: Succession planning</b><br/> <b>Mitigation:</b> 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.</p> <p>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 48.</p>                               |
| Economic environment   |  |  |
| <p><b>Risk: Economy</b><br/> <b>Mitigation:</b> Almost half of our business, the Healthcare &amp; Seniors, Education and Defence, Offshore &amp; Remote sectors, is less susceptible to economic downturns. Revenue in the remaining 51%, the Business &amp; Industry and Sports &amp; Leisure sectors, is 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.</p>  | <p><b>Risk: Food cost inflation</b><br/> <b>Mitigation:</b> 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.</p>   | <p><b>Risk: Labour cost inflation</b><br/> <b>Mitigation:</b> 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 labour flexibility, 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.</p> |



## 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 15% of our revenue is generated by clients located in the eurozone. Although the majority of the Group's revenue is generated outside of this region, a prolonged recessionary environment in the eurozone may adversely impact Group revenue and operating profit. The Company continues to monitor closely its operations within the eurozone and has in place both a cost reduction plan and an efficiency programme in this region to offset the adverse impact on profitability and to ensure that it is prepared to meet the ongoing challenges presented by the current environment.

**Risk: Asset impairment**

**Mitigation:** Given the continued recessionary environment in the eurozone, there is pressure on the carrying value of our assets in this region, including goodwill and receivables, with an increased risk of impairment. During our regular operational reviews, we diligently consider the assumptions underlying the carrying value of our assets, assess their recoverability and ensure that they are appropriately stated. The Group also performs goodwill impairment testing in all countries, at least annually, to ensure that the respective carrying values are adequately supported.

## 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 appropriate trade associations to ensure that our views are represented. Regulation risk is also considered as part of our annual business planning process.

**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 and by sector. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration 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 as well as continuing to innovate in the variety and quality of our services to clients.

## 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. Whilst we continue to operate some defined benefit schemes both in the UK and overseas, other than where required by local regulation or statute, these schemes are closed to new entrants. Further information is set out in note 23 of the consolidated financial statements on pages 114 to 118.

## Tax risk

**Mitigation:** As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable. However, we exercise our judgement and seek appropriate professional advice when calculating our tax liabilities and forecasting the recoverability of deferred tax assets. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate and the Group actively monitors these factors to identify the potential impact.

## Information Technology / Cyber risk

**Mitigation:** The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation. We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our customers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.

## Finance Director's statement

## Delivering returns



2013 has been another year of consistent performance with organic revenue growth of over 4% and an operating margin of over 7% for the first time.

## Financial summary

|  | 2013     | 2012     | Increase/<br>(Decrease) |
|--|----------|----------|-------------------------|
| <b>Continuing operations</b>                         |          |          |                         |
| <b>Revenue</b>                                       |          |          |                         |
| Constant currency                                    | £17,557m | £16,805m | 4.5%                    |
| Reported   | £17,557m | £16,905m | 3.9%                    |
| Organic growth                                       | 4.3%     | 5.4%     | –                       |
| <b>Total operating profit</b>                        |          |          |                         |
| Constant currency                                    | £1,265m  | £1,173m  | 7.8%                    |
| Underlying   | £1,265m  | £1,178m  | 7.4%                    |
| Reported   | £802m    | £856m    | (6.3)%                  |
| <b>Operating margin</b>                              |          |          |                         |
| Constant currency                                    | 7.1%     | 6.9%     | 20bps                   |
| Underlying   | 7.1%     | 6.9%     | 20bps                   |
| Reported   | 4.5%     | 5.0%     | (50)bps                 |
| <b>Profit before tax</b>                             |          |          |                         |
| Underlying   | £1,188m  | £1,093m  | 8.7%                    |
| Reported   | £721m    | £789m    | (8.6)%                  |
| <b>Basic earnings per share</b>                      |          |          |                         |
| Constant currency                                    | 47.7p    | 42.4p    | 12.5%                   |
| Underlying   | 47.7p    | 42.6p    | 12.0%                   |
| Reported   | 23.3p    | 32.1p    | (27.4)%                 |
| <b>Free cash flow</b>                                |          |          |                         |
| Underlying   | £834m    | £760m    | 9.7%                    |
| Reported   | £762m    | £709m    | 7.5%                    |
| <b>Total Group including discontinued operations</b> |          |          |                         |
| Basic earnings per share                             | 23.5p    | 32.1p    | (26.8)%                 |
| Full year dividend per ordinary share                | 24.0p    | 21.3p    | 12.7%                   |

## Segmental performance

|                              | Revenue    |            | Revenue growth |                      |         |
|------------------------------|------------|------------|----------------|----------------------|---------|
|                              | 2013<br>£m | 2012<br>£m | Reported       | Constant<br>currency | Organic |
| <b>Continuing operations</b> |            |            |                |                      |         |
| North America                | 8,150      | 7,517      | 8.4%           | 7.3%                 | 8.0%    |
| Europe & Japan               | 6,039      | 6,243      | (3.3)%         | (2.5)%               | (3.0)%  |
| Fast Growing & Emerging      | 3,368      | 3,145      | 7.1%           | 11.6%                | 10.2%   |
| Total                        | 17,557     | 16,905     | 3.9%           | 4.5%                 | 4.3%    |

|   | Total operating profit |            | Operating margin |           |
|---|------------------------|------------|------------------|-----------|
|   | 2013<br>£m             | 2012<br>£m | 2013<br>%        | 2012<br>% |
| <b>Continuing operations</b>                          |                        |            |                  |           |
| North America   | 657                    | 598        | 8.1%             | 8.0%      |
| Europe & Japan  | 420                    | 397        | 7.0%             | 6.4%      |
| Fast Growing & Emerging                               | 242                    | 235        | 7.2%             | 7.5%      |
| Unallocated overheads                                 | (64)                   | (60)       | –                | –         |
| Excluding associates                                  | 1,255                  | 1,170      | 7.1%             | 6.9%      |
| Associates  | 10                     | 8          |                  |           |
| Underlying  | 1,265                  | 1,178      |                  |           |
| Amortisation of intangibles arising on acquisitions   | (25)                   | (18)       |                  |           |
| Acquisition transaction costs                         | (3)                    | (9)        |                  |           |
| Adjustment to contingent consideration on acquisition | 1                      | –          |                  |           |
| European exceptional                                  | (59)                   | (295)      |                  |           |
| Goodwill impairment                                   | (377)                  | –          |                  |           |
| Total   | 802                    | 856        |                  |           |

## Revenue

Overall, organic revenue growth for the year was 4.3%, comprising new business of 8.8%, a retention rate of 93.7% and like for like growth of 1.8%. Acquisitions less disposals contributed a further 0.2% to deliver 4.5% constant currency revenue growth. There was a 0.6% negative impact from currency translation resulting in reported revenue growth of 3.9%.

## Operating profit

Underlying operating profit from continuing operations was £1,265 million (2012: £1,178 million), an increase of 7.4%. On a constant currency basis, underlying operating profit increased by £92 million, an increase of 7.8%. A total of £89 million has been delivered from organic growth and £3 million from acquisitions less disposals. This includes £6 million incremental profit from acquisitions made in the prior year, £5 million from acquisitions made in the year, less £8 million in respect of disposed businesses.

Operating profit, after the European exceptional cost of £59 million (2012: £295 million), goodwill impairment of £377 million (2012: £nil), amortisation of intangibles arising on acquisition of £25 million (2012: £18 million), acquisition transaction costs of £3 million (2012: £9 million) and adjustment to contingent consideration on acquisition of £1 million credit (2012: £nil), was £802 million (2012: £856 million).

## 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 took a £295 million exceptional cost of which £100 million was cash and £195 million predominantly non-cash. In 2013 we have continued with these action plans and, as announced last year, we have recorded a charge to continue to improve the operational efficiency of our labour base in Europe. This amounted to £59 million.

## Goodwill impairment

We have taken a goodwill impairment charge of £377 million in relation to our business in the UK. The goodwill principally relates to the Granada transaction in 2001. The impairment charge was primarily driven by an increase in the discount rate as a result of increases in UK gilt rates.

## Finance costs

The underlying net finance cost was £77 million (2012: £85 million), including an £11 million (2012: £15 million) charge relating to the pension deficit. The decrease largely reflects the short term inefficiency we incurred last year from early refinancing as we 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 2014, we expect an underlying net finance cost of around £85 million. This includes the costs of funding the new £500 million share buyback and equates to an effective interest rate of around 4% on gross debt.

## Other gains and losses

Other gains and losses include a £3 million cost (2012: £6 million cost) relating to hedge accounting ineffectiveness, a £nil cost (2012: £1 million credit) impact of revaluing investments and non-controlling interest put options and a £1 million loss on the disposal of the US Corrections business which took place in 2012 (2012: £23 million gain).

## Profit before tax

Profit before tax from continuing operations was £721 million (2012: £789 million). On an underlying basis, profit before tax from continuing operations increased by 8.7% to £1,188 million (2012: £1,093 million).

## Income tax expense

Income tax expense from continuing operations was £287 million (2012: £178 million).

On an underlying basis, after removing the impact of the European exceptional cost (benefit of £16 million), an adjustment to the exceptional recognition of tax losses in the prior year (expense of £2 million), and the tax effect of other non-underlying items (benefit of £8 million), the tax charge on continuing operations was £309 million (2012: £284 million), equivalent to an effective tax rate of 26% (2012: 26%). We expect the tax rate to continue to average out around this level in the short to medium term.

- 1 Constant currency restates the prior year results to 2013's average exchange rates.
- 2 Total operating profit includes share of profit of associates.
- 3 Underlying operating profit and margin excludes European exceptional cost, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.
- 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, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, 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, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, 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 £72 million of European exceptional cash costs (2012: £31 million one off cash outflow in respect of non-recurring historic tax issues and £20 million of European exceptional cash costs).
- 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

## Basic earnings per share

Basic earnings per share, including discontinued operations, were 23.5 pence (2012: 32.1 pence).

On an underlying basis, excluding discontinued operations, the basic earnings per share from continuing operations were 47.7 pence (2012: 42.6 pence). After adjusting for currency movements, basic earnings per share increased by 12.5%.

|                         | Attributable profit |            | Basic earnings per share |               |             |
|-------------------------|---------------------|------------|--------------------------|---------------|-------------|
|                         | 2013<br>£m          | 2012<br>£m | 2013<br>pence            | 2012<br>pence | Change<br>% |
| Reported                | 429                 | 605        | 23.5                     | 32.1          | (26.8)%     |
| Discontinued operations | (3)                 | –          | (0.2)                    | –             | –           |
| Other adjustments       | 445                 | 198        | 24.4                     | 10.5          | –           |
| Underlying              | 871                 | 803        | 47.7                     | 42.6          | 12.0%       |
| Currency                | –                   | (4)        | –                        | (0.2)         | –           |
| Constant currency       | 871                 | 799        | 47.7                     | 42.4          | 12.5%       |

## Dividends

It is proposed that a final dividend of 16.0 pence per share will be paid on 24 February 2014 to Shareholders on the register on 24 January 2014. This will result in a total dividend for the year of 24.0 pence per share (2012: 21.3 pence per share), a year on year increase of 12.7%. 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 £762 million (2012: £709 million). During the year, we incurred a £72 million outflow in respect of the European exceptional. Adjusting for this, free cash flow would have been £834 million.

Gross capital expenditure of £469 million (2012: £394 million), including amounts purchased by finance lease of £2 million (2012: £4 million), is equivalent to 2.7% of revenues (2012: 2.3% of revenues). The increase from 2012 is due to the investment in a number of projects, including the Texas A&M contract. We will continue to invest in projects where we see good returns. 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.

Excluding pensions and provisions, trade working capital has reduced by £102 million (2012: decrease of £64 million) as a result of good progress on collection of overdue debt, taking trade receivable days down to 44. Looking forward, annual trade working capital movements are expected to be broadly neutral over time.

The cash outflow of £54 million (2012: £54 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 22% (2012: 21%), 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 during the year.

The net interest outflow for the year was £65 million (2012: £82 million). The 2012 outflow included £9 million as part of the non-recurring historic tax settlement.

Free cash flow from discontinued operations was £nil (2012: outflow of £43 million).

## Acquisition payments

Spend on acquisitions in the year, net of cash acquired, totalled £104 million (2012: £221 million). This includes £80 million of infill acquisitions, £3 million on acquisition transaction costs and £21 million of deferred consideration relating to prior year acquisitions.

## Disposals

The Group received £8 million in respect of the disposal of some small non-core businesses (2012: £58 million in respect of the disposal of the US Corrections business). £1 million was paid in the year in respect of businesses disposed of or discontinued in prior years (2012: £3 million) and £nil tax was paid (2012: £21 million) on profits from sale of subsidiary companies and associated undertakings.

## Purchase of own shares

During the year, the Group concluded the £500 million share buyback programme announced in November 2011 and began the £400 million share buyback programme announced in November 2012. Up to 30 September 2013, £446 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 £9 million in the year (2012: £30 million) from the issue of shares following the exercise of employee share options.

## Return on capital employed

Return on capital employed was 19.1% (2012: 18.2%) based on underlying operations, net of tax at the effective underlying rate of 26% (2012: 26%), and excluding the Group's non-controlling partners' share of total operating profit. The average capital employed used is £4,878 million (2012: £4,774 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 2013 was £208 million (2012: £361 million), largely due to increased asset returns and a one off contribution of £72 million to the UK scheme during the year.

The total pensions charge for defined contribution schemes in the year was £80 million (2012: £77 million) and £32 million (2012: £32 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £11 million charge to net finance cost (2012: £15 million).

## Related party transactions

Details of transactions with related parties are set out in note 33 of the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

## Financial position

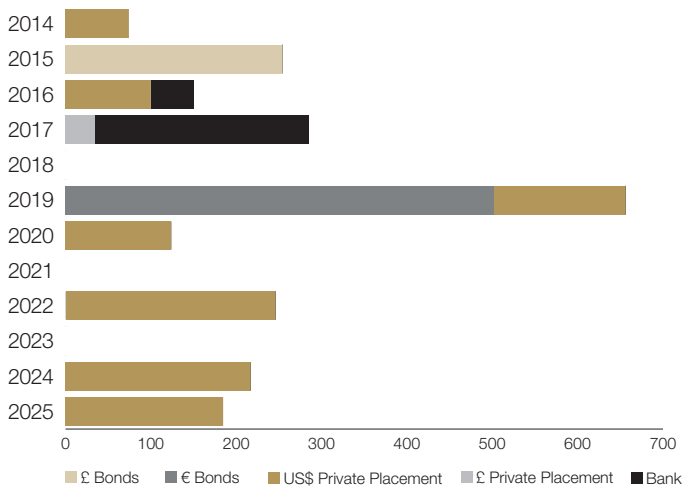
The ratio of net debt to market capitalisation of £15,334 million as at 30 September 2013 was 8% (2012: 8%).

At the end of the year, net debt was £1,193 million (2012: £973 million).

## Liquidity risk

The Group finances its borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The maturity profile of the Group's principal borrowings at 30 September 2013 shows that the average period to maturity is 5.5 years.

### Financing – maturity profile of principal borrowings as at 30 September 2013 (£m)



1 Based on borrowings and facilities in place as at 30 September 2013, maturing in the financial year ending 30 September.

2 The average life of the Group's principal borrowings as at 30 September 2013 is 5.5 years (2012: 6.1 years).

The Group's undrawn committed bank facilities at 30 September 2013 were £700 million (2012: £700 million).

## 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.

## Group tax policy

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

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

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

In an increasingly complex international environment, a degree of tax risk and uncertainty is however inevitable. We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.

# Finance Director's statement

## Risks and uncertainties

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Group and its Shareholders.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out on pages 38 and 39.

## Shareholder return

The market price of the Group's ordinary shares at the close of the financial year was 850.00 pence per share (2012: 683.50 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 Strategic Report, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 20 of the consolidated financial statements 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 clients and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully 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**

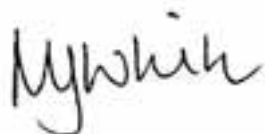
Group Finance Director

27 November 2013

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The Strategic Report, as set out on pages 1 to 44, has been approved by the Board.

On behalf of the Board



**Mark J White**

General Counsel and Company Secretary

27 November 2013

# Corporate governance

## Corporate governance

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- 46** Governance and Directors' Report
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# Governance and Directors' Report

## Corporate Governance Report

The Directors present their Annual Report and the audited consolidated accounts of the Company and its subsidiaries for the year ended 30 September 2013. This Corporate Governance Report and other statutory disclosures set out on pages 46 to 54 make up the Directors' Report.

## UK Corporate Governance Code compliance

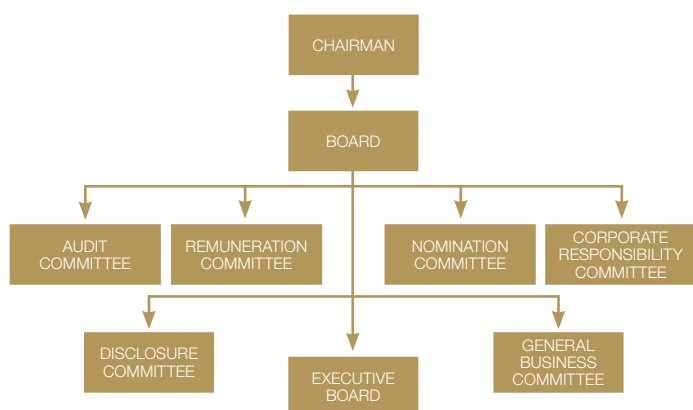
Responsibility for good governance lies with the Board. The Board is accountable to Shareholders and is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code (the Code). The Code can be found on the Financial Reporting Council website at [www.frc.org.uk](http://www.frc.org.uk). This Corporate Governance Report, together with the Directors' Remuneration Report set out on pages 55 to 70, describes how the Board has applied the main principles of good governance set out in the Code during the year under review.

## Compliance statement

It is the Board's view that for the year ended 30 September 2013 the Company has been fully compliant with all of the principles set out in the Code. 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.

## How we govern the Company

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



## The Board

### Composition

As at 30 September 2013, and as at the date of this Report, the Board of Directors was made up of nine members, comprising the Chairman, four Executive Directors and four Non-Executive Directors. James Crosby stepped down as a Non-Executive Director on 9 April 2013. On 20 June 2013 it was announced that, following Sir Roy Gardner's retirement after the Annual General Meeting (AGM) on 6 February 2014, Paul Walsh will join the Board as a Non-Executive Director on 1 January 2014 and succeed Sir Roy as Chairman at the conclusion of the AGM.

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 judgement. The Board considers that each of the Non-Executive Directors brings their own senior level of experience, gained in each of their own fields, mainly in international operations.

Biographical details of the Directors currently in office are shown on pages 8 and 9. The Company's policy relating to the terms of appointment and the remuneration of both Executive and Non-Executive Directors is detailed in the Directors' Remuneration Report which is on pages 55 to 70.

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.

### Responsibilities

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 Board 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 are 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.

### Director effectiveness and training

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.

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 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.

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 as is the case with Paul Walsh who will seek election at the AGM on 6 February 2014. 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 Board and other key senior executives. The induction also covers a review of the Group's governance policies, structures and business, including details of the risks and operating issues facing the Group.

Sir Ian Robinson is the Company's Senior Independent Director having succeeded James Crosby in this role from 10 April 2013. 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 Ian 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.

### Board effectiveness

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.

This year, in compliance with the Code, the performance evaluation was conducted by external facilitators Alison Crowther-Smith and David Mensley of EquityCommunications Limited. Neither Ms Crowther-Smith nor Mr Mensley has any connection to the Company and they are completely independent.

The performance evaluation process was undertaken in the late spring of 2013. Having agreed an itinerary of matters for discussion, EquityCommunications Limited undertook a series of one-on-one interviews with the Chairman, each member of the Board and the General Counsel and Company Secretary. Each interview lasted at least an hour and covered an agenda which included questions about Board administration, strategy and operations, Board composition, succession planning and the Board committee structure. Interviewees were also encouraged to raise any other matters they felt relevant to a Board evaluation process. A report on the outcome of the evaluation exercise was prepared by EquityCommunications Limited and was presented to the Board at its July 2013 meeting.

In particular, EquityCommunications Limited commented on the efficacy of Board administration, some changes to the focus on Group strategy, the recruitment of a further Non-Executive Director and the visibility afforded by having all Non-Executive Directors serve on all Board committees. The report was positive about the performance of both the Board and its main committees, highlighting strengths such as controls, governance, a focus on strategy and risk identification and mitigation. As a result of the recommendations made in the report, the Board has agreed to enhance its approach to strategy planning and to continue to focus on succession planning, both at Board level and in key businesses in the Group.

Having conducted its evaluation, it is the view of the Board that each of the Non-Executive Directors brings considerable management expertise and an independent perspective to the Board's deliberations 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 judgement. Overall the Board considered the performance of each Director to be effective and concluded that both the Board and its committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development in the year ahead.

### Conflicts of interest

As part of their ongoing development, the Executive Directors may seek one external non-executive role on a non-competitor board, for which they may retain the remuneration in respect of the appointment. In order to avoid any conflict of interest, all appointments are subject to 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 (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 2013 Board meeting.

### Committees of the Board

The Board has established a number of committees to assist in the discharge of its duties and the formal Terms of Reference for the principal committees, approved by the Board and complying with the Code, are available from the General Counsel and Company Secretary and can also be found on the Company's website at [www.compass-group.com](http://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 48 and 49. The General Counsel and Company Secretary acts as Secretary to all Board committees.

### Meetings attendance

The following table shows the attendance of Directors at meetings of the Board, Audit, Corporate Responsibility (CR), Nomination and Remuneration Committees during the year ended 30 September 2013:

| Name                      | Board  | Audit Committee | CR Committee | Nomination Committee | Remuneration Committee |
|---------------------------|--------|-----------------|--------------|----------------------|------------------------|
| John Bason                | 8 of 8 | 3 of 3          | 3 of 3       | 2 of 2               | 4 of 4                 |
| Dominic Blakemore         | 8 of 8 | –               | 3 of 3       | –                    | –                      |
| Richard Cousins           | 8 of 8 | –               | 3 of 3       | 2 of 2               | –                      |
| James Crosby <sup>1</sup> | 4 of 4 | 1 of 1          | 1 of 1       | 1 of 1               | 1 of 1                 |
| Sir Roy Gardner           | 8 of 8 | –               | 2 of 3       | 2 of 2               | –                      |
| Gary Green                | 8 of 8 | –               | –            | –                    | –                      |
| Andrew Martin             | 8 of 8 | –               | –            | –                    | –                      |
| Susan Murray              | 8 of 8 | 3 of 3          | 3 of 3       | 2 of 2               | 4 of 4                 |
| Don Robert                | 8 of 8 | 3 of 3          | 3 of 3       | 2 of 2               | 4 of 4                 |
| Sir Ian Robinson          | 8 of 8 | 3 of 3          | 3 of 3       | 2 of 2               | 4 of 4                 |

1 James Crosby stepped down from the Board on 9 April 2013.

# Governance and Directors' Report

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 was one occasion where a Director was unable to attend a meeting as a result of a long standing commitment.

## Nomination Committee

The Nomination Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

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. James Crosby was a member of the Nomination Committee until 9 April 2013.

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 on page 47.

The Nomination Committee reviews the structure, size and composition of the Board and its committees and makes 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 assesses the roles of the existing Directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity. The 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.

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 Nomination 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.

In identifying suitable candidates, the Nomination 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

During the year the Nomination Committee retained Egon Zehnder International as recruitment consultants in respect of the search for a suitable candidate for the Chairmanship. Egon Zehnder International is an independent executive search firm which has no other connection with the Company. Paul Walsh was identified by the Nomination Committee as part of the external search process conducted by Egon Zehnder International and was subsequently recommended to the Board for appointment on the basis that he met the criteria required, including having sufficient time to discharge the requirements of the role. During the year the Nomination Committee also considered (and recommended to the Board) the reappointments of Susan Murray and Sir Ian Robinson, each for a further term, and the appointment of Sir Ian as Senior Independent Director following James Crosby's retirement.

In the year ahead, the Nomination Committee will continue to assess the Board's composition and how it may be enhanced and will consider diversity (gender and experience) and geographic representation and use independent consultants as appropriate to ensure a broad search for suitable candidates.

## Remuneration Committee

The Remuneration Committee is responsible for making recommendations on remuneration policy for the Chairman, Executive Directors and senior management to the Board.

The Remuneration Committee comprises Sir Ian Robinson (Chairman) and all of the other Non-Executive Directors in office at the date of this Report. James Crosby was Chairman of the Remuneration Committee until his retirement on 9 April 2013. The Remuneration Committee met four times during the year and Directors' attendance can be found in the table on page 47.

The Directors' Remuneration Report is set out on pages 55 to 70 and details the Remuneration Committee's activities during the year and the policy on remuneration. 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's primary responsibilities include health, safety and environmental practices, ethical business conduct, the promotion of employee engagement and diversity and community investment.

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. The Corporate Responsibility Committee met three times during the year and the Director members' attendance is shown in the table on page 47. Our Corporate Responsibility Report 2013 is available at [www.compass-group.com/cr13](http://www.compass-group.com/cr13) as well as on pages 20 to 25 of this Report.

## Disclosure Committee

The Disclosure Committee ensures accuracy and timeliness of public announcements of the Company and monitors the Company's obligations under the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority.

Meetings are held as required. 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 Affairs.

## Executive Board

The Executive Board is the key management committee for the Group and comprises the Executive Directors of the Company, Andrew Furlong (Regional Managing Director, Central Asia, Middle East, Africa & Turkey), Philippe Op de Beeck (Regional Managing Director, Asia Pacific), Mark White and Jane Kingston.

The Executive Board 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

### Objectives

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit function, and the management of the Group's systems of internal control, business risks and related compliance activities. The Audit Committee's Terms of Reference can be found at [www.compass-group.com](http://www.compass-group.com).

### Composition

The Audit Committee comprises all of the Non-Executive Directors in office at the date of this Report. Members of the Audit Committee are appointed by the Board following recommendations by the Nomination Committee and the Audit Committee's membership is reviewed by the Nomination Committee and as part of the annual Board performance evaluation. James Crosby was a member of the Audit Committee until 9 April 2013.

Each member of the Audit Committee brings relevant senior level financial experience. The expertise and experience of the members of the Audit Committee are summarised on pages 8 and 9. The Board considers that each member of the Audit Committee is independent within the definition set out in the Code. The Audit 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 Audit 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 judgement in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Audit Committee undertake ongoing training as required.

### Audit Committee meetings

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

The Audit Committee invites Sir Roy Gardner (Chairman), Richard Cousins (Group Chief Executive), Dominic Blakemore (Group Finance Director), Sarah Sergeant (Head of Financial Reporting and Control) and Trevor Gelnar (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 Audit 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 Audit Committee and the policy with regard to the remuneration of the Non-Executive Directors are set out on pages 64 and 69.

### Activities during the year

During the year, the Audit Committee reviewed and evaluated:

- the appropriateness of the interim and annual financial statements (including the announcements thereof to the London Stock Exchange) with both management and the external Auditor, including
  - at the Board's request, whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy

- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- discussing the critical accounting policies and use of assumptions and estimates, as noted in section B of the accounting policies on page 81, and concluding that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Company's accounting policies
- the material areas in which significant judgements have been applied
  - the consideration of any goodwill impairment assessments and how these were addressed. The judgement largely relates to the assumptions underlying the calculation of the value in use of the cash generating units (CGUs) being tested for impairment, primarily the achievement of the three year business plan for the CGUs and the macroeconomic assumptions (such as discount rates) underpinning the valuation process. The Committee receives reports from management outlining the basis for the assumptions used. Business plans are approved by the Board. In addition, the external Auditor provides detailed written reporting to the Audit Committee in this area. During the year the Committee reviewed the impairment assessment of the UK business carried out by management and concluded that an impairment charge of £377 million should be booked
  - the level of provisioning for contingent and other liabilities (including tax) where management, accounting and legal judgements are important. The Committee discusses with management the key judgements made, including relevant legal advice. The external Auditor also reports on all material provisions to the Committee
- the Group's internal audit function and approval of the internal audit plan and risk controls
- the scope and effectiveness of the external audit process and timing of any audit tender
- the retendering process for the external Auditor referred to on page 50
- the objectivity, terms and fees of the external Auditor
- the policy on non-audit services provided by the external Auditor
- litigation and contingent liabilities
- the operation of the Group's Speak Up whistleblowing policy
- tax matters, including provisioning for potential current tax liabilities and the level of deferred tax asset recognition as well as compliance with statutory tax reporting obligations

### External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The Audit Committee reserves oversight responsibility for monitoring the Auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit 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 Audit 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 judgements; the level of errors identified during the audit; the recommendations made to management by the Auditor and management's response; and the Auditor's overall performance. The Audit Committee also ensures that key partners within the external Auditor are rotated from time to time in accordance with applicable UK rules. The Audit Committee monitors the extent of non-audit work which the external Auditor can perform, to ensure that the provision of those non-audit services that can be undertaken by the external Auditor falls within the agreed policy and does not impair their objectivity or independence. In this respect the Audit Committee has agreed that, unless there is no other competent

# Governance and Directors' Report

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 Audit Committee based on the level of fees involved. Non-audit services that are pre-approved are either routine in nature with a fee that is not significant in the context of the audit or are audit related services.

Within the constraints of applicable UK rules, the external Auditor 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 2013 comprised the provision of assistance on tax matters, IT consultancy services and due diligence advice in respect of potential acquisitions.

During the year, the Audit 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 review included a formal evaluation together with the use of questionnaires completed by finance teams around the Group. The Audit Committee also considered its robustness and the degree to which Deloitte LLP was able to assess key accounting and audit judgements and the content of the management letter issued by the external Auditor. The Audit Committee concluded that both the audit and the audit process were effective.

Deloitte LLP also audits significant subsidiaries of the Group.

The total fees paid to Deloitte LLP in the year ended 30 September 2013 were £7.8 million (2012: £6.8 million) of which £3.5 million (2012: £2.4 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 30 September 2013 can be found in note 2 to the consolidated financial statements on page 90.

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

## 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 AGM to be held on 6 February 2014.

Deloitte LLP was appointed as Auditor to the Company on its incorporation, and is subject to annual reappointment by Shareholders. Whilst the Company has kept under review the relationship and effectiveness of the external Auditor, no formal tender of the audit process has been carried out since Deloitte LLP's appointment. The Audit Committee is mindful of the requirements under the Code that the Audit should be put out to tender every 10 years and, as confirmed in last year's Annual Report, it is the Audit Committee's intention to retender the audit during the year ending 30 September 2014. During the year, the Audit Committee reviewed and approved the proposed retender process, which commenced during the year ended 30 September 2013. At the date of this Report extensive due diligence had been undertaken and a further timetable and step plan to achieve the completion of the retender exercise by 30 September 2014 had been agreed.

## Disclosure of relevant audit information

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.

## Our standards

The Company remains committed to the highest standards of business conduct and expects all of its employees to act accordingly. The Group's Speak Up policy (an extension of the Code of Ethics 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 Audit 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](http://www.compass-group.com). The Audit 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 Audit Committee retains overall responsibility, set out how allegations of fraud or bribery are dealt with, such as by the local human resources or finance team, and the frequency of local reporting that feeds into the regular updates, which are presented to the Audit Committee. Reporting of these matters to the Audit Committee is managed and overseen by internal audit. The Speak Up policy operates when the complaint is received through the whistleblowing channel and that policy will redirect the alleged fraud or bribery for investigation at the most appropriate level of the organisation which may, for example, be by a member of the local human resources team or, on occasion, the Audit Committee itself.

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

## Internal audit

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

## Internal control

The Audit Committee also reviews the integrity of material financial statements made by the Company. The Audit 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 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.

In a Group where local management have considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard Shareholders' investments and the Company's assets. The Directors acknowledge that they have overall responsibility for 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 38 and 39. 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 Board) and to the Board. These processes have been in place throughout the financial year ended 30 September 2013 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 Board. The detailed review of internal control has been delegated to the Audit Committee. The management of each business is responsible for internal control and risk management within its own business and for ensuring compliance with the Group's policies and procedures. Each business has appointed a risk champion whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme. The internal and the external independent auditors have reviewed the overall approach adopted by the Group towards its risk management activities so as to reinforce these internal control requirements.

### Control procedures

The Board reviews its strategic plans and objectives on an annual basis and approves Group budgets and strategies in light of these. Control is exercised at Group, regional and business level through the Group's 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 management on the effectiveness of these controls on a biannual basis. These reports, together with reports on internal control and departures, if any, from established Group procedures prepared by both the internal and external auditors, are reviewed by the Group Finance Director and the Audit Committee. Group companies also submit biannual risk and internal control assurance letters to the Group Finance Director on internal control and risk management issues, with

comments on the control environment within their operations. The Group Finance Director summarises these submissions for the Audit Committee and the Chairman of the Audit Committee reports to the Board on any matters that have arisen from the Audit Committee's review of the way in which risk management and internal control processes have been applied.

The Board has formal procedures in place for 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; further information regarding environmental and ethical matters is available on pages 20 to 25. 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 49 and 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 2013 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

### Communicating 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 10 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 is available to all Shareholders and can be accessed via the Company's website at [www.compass-group.com](http://www.compass-group.com). The Group's annual and interim results are also published on the Company's website, together with all other announcements and documents issued to the market, such as 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. Further Shareholder information is available on pages 139 to 148.

# Governance and Directors' Report

## Other statutory disclosures

### Directors

Particulars of the Directors in office at the date of this Report are listed on pages 8 and 9. In accordance with the Code, each Director will retire and submit himself or herself for re-election at the AGM on 6 February 2014.

On 9 April 2013, James Crosby stepped down from the Board and ceased to be both the Senior Independent Director and the Chairman of the Remuneration Committee. On 10 April 2013 Sir Ian Robinson succeeded James Crosby as the Senior Independent Director and Chairman of the Remuneration Committee.

At the Company's AGM on 7 February 2013 it was announced that Sir Roy Gardner intended to step down as Chairman at the conclusion of the following AGM. On 20 June 2013 it was announced that Paul Walsh would be appointed as a Non-Executive Director from 1 January 2014. He will become Non-Executive Chairman at the conclusion of the AGM on 6 February 2014 and will seek election as a Director of the Company at that meeting.

### Results and dividends

In the year ended 30 September 2013, the Group delivered an increase of 8.7% in Group underlying profit before tax from £1,093 million to £1,188 million and a decrease of 8.6% in Group reported profit before tax from £789 million to £721 million. An analysis of revenue and operating profit is set out in note 1 to the consolidated financial statements on pages 86 and 87.

The 2013 interim dividend of 8.0 pence per share (2012: 7.2 pence) was paid to Shareholders on 29 July 2013. The Directors recommend a final dividend of 16.0 pence per share (2012: 14.1 pence) making a total dividend for the year of 24.0 pence per ordinary share, an increase of 12.7% on the 21.3 pence paid in respect of last year. Payment of the recommended final dividend, if approved at the AGM to be held on 6 February 2014, will be made on 24 February 2014 to Shareholders registered at the close of business on 24 January 2014. The shares will be quoted ex-dividend from 22 January 2014.

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 53 of this Report. The amount of dividends waived during the year ended 30 September 2013 was £39,643 (2012: £42,055).

A dividend reinvestment plan is available to eligible Shareholders. Details can be found on page 140.

## Share capital

### General

At the date of this Report, 1,796,445,173 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 2013, 3,419,777 options were exercised and 1,788,086 awards released pursuant to the Company's share option schemes and long term incentive plans, resulting in the allotment of 5,207,863 new ordinary shares. A further 155,588 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 Conduct 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](http://www.compass-group.com).

To view our Annual Report and our Code of Business Conduct go to [www.compass-group.com](http://www.compass-group.com).

### Repurchase of shares

On 21 November 2012, the Company announced its intention to commence a £400 million share repurchase programme, to be executed over the 12 month period to the end of 2013 and the Company anticipates that this programme will be completed by the end of December 2013. During the year ended 30 September 2013, 56,735,966 ordinary shares were purchased and subsequently cancelled for a consideration of £449 million (including expenses) (representing 3.06% of the ordinary shares in issue on 1 October 2012); 20,821,996 ordinary shares in respect of the completion of the £500 million programme announced on 23 November 2011 and 35,914,000 ordinary shares under the aforementioned £400 million programme. From 1 October 2013 to the date of this Report a further 7,668,410 shares of 10 pence each of the Company (representing 0.43% of the ordinary shares in issue on 1 October 2013) were purchased and subsequently cancelled for a consideration of £68 million (including expenses).

On 27 November 2013, the Company announced its intention to commence a further £500 million share repurchase programme, to be executed over the 12 month period to the end of 2014.

At the AGM a special resolution will be proposed to renew the Directors' limited authority to repurchase ordinary shares in the market, last granted at the AGM in 2013. 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 AGM held in 2013 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 2015, 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 2015. 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 2015) 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 24 to the consolidated financial statements on pages 119 and 120.

### Substantial shareholdings

The following major shareholdings have been notified to the Company as at 30 September 2013 and the date of this Report.

|  | % of issued capital <sup>1</sup> | % of Compass Group PLC's voting rights |
|--|----------------------------------|--|
| Blackrock, Inc.                          | 9.99                             | 9.99                                   |
| Massachusetts Financial Services Company | 5.00                             | 5.00                                   |

<sup>1</sup> At the date of disclosure.

Since the disclosure date, the Shareholder's interest in the Company may have changed.

The number of shares held by the Directors as at 30 September 2013 can be found on page 69 of the Directors' Remuneration Report.

### Employee share trusts

The Compass Group Employee Share Trust (ESOP) and The Compass Group Employee Trust Number 2 (CGET) were established on 13 January 1992 and 12 April 2001 respectively in connection with the Company's share option plans. The 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 55 to 70. The Trustees of the ESOP, LTIPT and CGET hold 144,413 (2012: 180,266), 17,209 (2012: 17,209) and nil (2012: 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 2013 (2012: nil).

### Awards under employee share schemes

Details of awards made during the year and held by Executive Directors as at 30 September 2013 are set out in the Directors' Remuneration Report on pages 55 to 70.

Details of employee share schemes and grants made during the year ended 30 September 2013 to, and extant awards held by, employees are disclosed in note 24 to the consolidated financial statements on pages 119 and 120.

## 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. Since 1996 those Group businesses in the European Economic Area (EEA) have been represented on the Compass European Council (CEC) which provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues. The Group's CEC Agreement terminated in December 2012. The Company is in the process of negotiating a new CEC Agreement through a Special Negotiating Body, comprising employee representatives from each of the countries in which the Group operates within the EEA.

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 but will retire on 30 November 2013 and will be succeeded by Nigel Palmer, a current employee of the Group. The other four Trustee Directors are UK-based employees of the Group, one of whom has been nominated by CRISP members. As at the date of this Report, two further member-nominated positions are vacant.

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 Morris to 11 October 2013 and Phillip Whittome from 11 October 2013, is 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 automatic enrolment regulations for its workforce in the UK on 1 November 2012, but deferred its staging date for automatic enrolment of eligible employees to 2 January 2013 as permitted by the regulations. Both the Plan and CRISP are compliant arrangements under these regulations and have been registered as such. Employees who were not already in one of these registered compliant arrangements were automatically enrolled into the National Employment Savings Trust (NEST). 28,510 employees were automatically enrolled on 2 January 2013. Part of the UK business had a staging date of 1 April 2013 and automatic enrolment was deferred until 10 June 2013 when a further 1,149 employees, who were not already enrolled, were automatically enrolled in NEST. 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.

# Governance and Directors' Report

## Employee diversity and human rights

Our Code of Ethics was developed in consultation with the CEC and the Institute of Business Ethics and sets out clear standards of behaviour that we expect all of our people to demonstrate and adhere to. The Code of Ethics, which is part of our Code of Business Conduct, underpins our social, ethical and environmental commitments and sends a clear message to our stakeholders of our commitment to responsible business practice. The ten principles of the United Nations (UN) Global Compact, to which we are a signatory, underpin our own Code of Ethics. This UN initiative encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda.

For the year ended 30 September 2013 there were 506,699 people employed by the Group (average number of employees including Directors and part-time employees) of whom 280,971 were female and 225,728 were male. A breakdown of employee diversity, as required by the CA 2006, showing the number of persons who were Directors of the Company and senior managers at the end of the year ended 30 September 2013 can be viewed on page 21 of the Corporate Responsibility section of the Strategic Report and forms part of the Directors' Report disclosures.

Our people are instrumental to our success; we respect and value the individuality and diversity that every employee brings to the Group. We base our relationship with our employees on respect for the dignity of the individual and fair treatment for all. Our employee policies are set locally to comply with local law within an overall Group framework and we monitor our employee satisfaction and engagement through a number of Key Performance Indicators, details of which can be found on pages 22 to 25.

We also consider the concerns of wider communities where we operate, including national and local interests, utilising our relevant expertise to help contribute to the wellbeing of communities which are appropriate to our business objectives. Furthermore, the Group supports the rights of all people as set out in the UN Universal Declaration of Human Rights and carefully considers before doing any business in countries that do not adhere to the UN Declaration.

## Greenhouse gas emissions reporting

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 September 2013 and the actions which the Group is taking to reduce them are set out within the Corporate Responsibility section of the Strategic Report on pages 20 to 25 and form part of the Directors' Report disclosures. Further details can also be found in our online Corporate Responsibility Report at [www.compass-group.com/cr13](http://www.compass-group.com/cr13).

## Donations and political expenditure

The Group's charitable donations in 2013 totalled £6.7 million (2012: £6.2 million). Charitable objectives support the Company's corporate responsibility strategy and have primarily focused on improving the environment, education, health and wellbeing, community engagement and responsible business practice. Donations have included employee involvement through fundraising and financial support.

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.

No material amount of corporate funds or paid employee time has been utilised during the year for political activities and, in accordance with the Company's Code of Business Conduct, Compass Group employees must not engage in any form of lobbying or have contact with political representatives, government employees or public interest groups unless they are doing so legitimately and adhering to internal control processes. Further information regarding the Code of Business Conduct can be found on page 50 of this Annual Report and on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The Directors propose to renew the authority granted at the AGM in 2013 for the Group to make political donations and incur political expenditure (as such terms are defined in sections 362 to 365 of the CA 2006) until the Company's next AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006 and which would not amount to 'donations' in the ordinary sense of the word. It is proposed to reduce the limit of such authority from £125,000 to £100,000.

## CREST

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

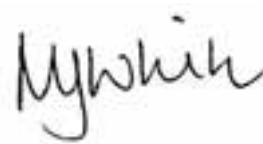
## Shareholder services

Details of services provided to Shareholders can be found in the Shareholder Information section on pages 139 to 141 and on the Company's website.

## AGM

The Notice of Meeting setting out the Resolutions to be proposed at the AGM to be held on 6 February 2014, together with explanatory notes, is set out on pages 142 to 147 of this Annual Report and is also available on the Company's website at [www.compass-group.com](http://www.compass-group.com). The Directors consider that each of the Resolutions is in the best interests of the Company and the Shareholders as a whole and recommend that Shareholders vote in favour of all of the Resolutions.

On behalf of the Board



## Mark J White

General Counsel and Company Secretary  
27 November 2013

Compass Group PLC  
Registered in England and Wales No. 4083914



# Directors' Remuneration Report

## Annual statement

### Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 30 September 2013. Shareholders will be invited to approve both our Remuneration Policy for the year ending 30 September 2014 and beyond (which will be a binding vote) and the Annual Report on Remuneration for the year ended 30 September 2013 (which will be a non-binding advisory vote), which together comprise the Directors' Remuneration Report, at the Company's Annual General Meeting (AGM) on 6 February 2014.

The two sections of the Report cover the following matters:

- the Company's intended Executive Remuneration Strategy and Policy from 6 February 2014 until 30 September 2014 and beyond, including each of the components of Directors' remuneration (the Policy Report)
- how the Policy has been implemented in the year ended 30 September 2013 (the Annual Remuneration Report)

This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the Committee) in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). Save for the total shareholder return graph, Group Chief Executive's remuneration history and remuneration percentage change tables, spend on pay table, statement of Shareholder voting and details of advice provided to the Committee, the information set out on pages 55 to 70 of this Directors' Remuneration Report represents the auditable disclosures referred to in the Auditor's report on pages 73 and 74 as specified by the UK Listing Authority and the Regulations.

### 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 Board, which comprises the Executive Directors and other Senior Executives. The Committee ensures that the members of the Executive Board are provided with the appropriate incentives to enhance the Group's performance and to reward 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](http://www.compass-group.com).

### Perspective

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

Our objective is to ensure that there is stability in our Remuneration Policy and that it is aligned with the business strategy. Our policy has remained fundamentally unchanged since last year and it is envisaged that the remuneration elements for Executive Directors for the year ending 30 September 2014 will be very similar to those in place for the financial year ended 30 September 2013.

The Company has delivered another strong financial performance this year driven by the Executive Directors and the senior management team against the backdrop of a challenging economic environment in some of the Group's geographies. The delivery of an underlying operating margin of over 7% for the first time reflects management's focus on growing revenue in a sustainable and profitable manner, mirrored in the use of revenue and profit as key measures in our annual bonus plan. This strong financial performance of the Group is reflected in the variable pay awarded to the Executive Directors, none of whom received any increase in their base pay during the year, recognising the tough economic environment.

Cash flow generation is critical to the success of our business in terms of both returns to Shareholders and investments for growth and consequently is included as a performance measure in both our long and short term incentive plans. We have been able to reward both Shareholders and our Executive Directors for the excellent performance in this area during the last 12 months. We were delighted at Shareholders' strong endorsement of the inclusion of Return on Capital Employed (ROCE) in The Compass Group PLC Long Term Incentive Plan 2010 (LTIP) as this has brought more alignment in our incentive plans on the reinvestment of cash to help the business grow and for infill acquisitions. In addition, the inclusion of Health, Safety and Environment (HSE) measures in our annual bonus plan for all our leadership team globally has highlighted the importance of this key business metric.

Overall, we believe that our policy is structured so that the Executive Directors are fairly rewarded, with the aim to keep reward at or around median, in line with appropriate benchmarks for the markets in which Compass operates. This approach to remuneration has served Shareholders well, as whilst we have been able to attract, retain and motivate the best people in a competitive marketplace, at the same time we have delivered a total return to our Shareholders of 455% since 2005, well above the 66% for the FTSE 100 as a whole.

# Directors' Remuneration Report

## Summary of activity during the year

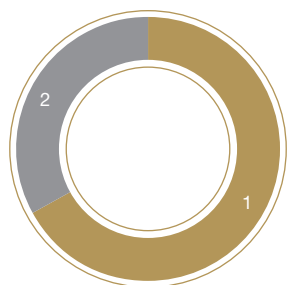
The key activities of the Committee during the year ended 30 September 2013 were:

- annual review of remuneration philosophy
- annual review of the Company's remuneration practice to ensure that the overall remuneration structure continues to promote the Company's business strategy
- determination of the remuneration packages for the Executive Directors and the current Chairman as well as for the incoming Chairman
- determination of the extent to which the performance measures for the long term incentive and bonus plans were achieved (including the treatment of the exceptional costs of the European restructuring programme) as well as the agreement of the changed performance criteria for the LTIP, following consultation with and approval by Shareholders

Each year the Committee reviews the ongoing remuneration philosophy and trends for all employees across the Group. The current Chairman's pay and benefits and the Executive Directors' reward packages were reviewed. In addition, the fees of the incoming Chairman were also carefully considered and determined. The performance targets of the Company's bonus and share incentive plans were considered and, as a consequence, the personal performance element of the annual bonus was removed for the year ended 30 September 2013 and a new HSE improvement target put in place, representing 5% of the bonus opportunity. Further details are given in the Policy Report on pages 57 to 64. Shareholder approval was sought and obtained at the AGM on 7 February 2013 to amend the performance targets under the LTIP. Details of the mechanics of the LTIP and the amended performance targets are given in the Policy Report on pages 59 and 60 and are in line with the proposals noted in last year's Report. The Committee also considered the headroom available in issued share capital before the making of equity incentive awards, approved the vesting of awards, considered the extent to which the Directors had complied with the Company's share ownership guidelines (as set out on page 69), reviewed and discussed developments in best practice and engaged with Shareholder representatives and advisory bodies (including consultation on the format of this Directors' Remuneration Report).

The proportion of time spent by the Committee on key items during the year ended 30 September 2013 is summarised in the charts below:

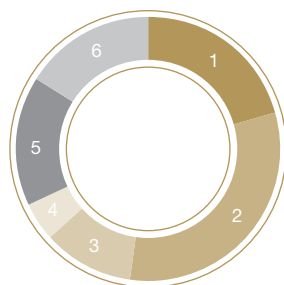
### Agenda activity



1 67% Regular items

2 33% Other items

### Agenda activity by items



- 1 Determination of the remuneration packages for Executive Directors and Chairman
- 2 Review and operation of the Group's equity incentive plans
- 3 Review of Group wide remuneration philosophy validation and audit of Directors' share ownership guidelines' compliance
- 4 Determination of remuneration packages for the incoming Chairman and other senior executives below the Board
- 5 Consideration of new BIS remuneration regulations and review and approval of Directors' Remuneration Report
- 6 Any other business

## Membership of the Committee

The Committee consists entirely of independent Non-Executive Directors, as defined in the UK Corporate Governance Code (the Code). On 9 April 2013 James Crosby stepped down from the Board and ceased to be the Chairman of the Committee. On 10 April 2013 Sir Ian Robinson succeeded James Crosby as Chairman of the Committee. During the year the Committee comprised the following Non-Executive Directors:

John Bason  
James Crosby (Chairman, Senior Independent Director to 9 April 2013)  
Susan Murray  
Don Robert  
Sir Ian Robinson (Chairman, Senior Independent Director from 10 April 2013)

Biographical details of the current members of the Committee are set out on pages 8 and 9. 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 70.

## Engagement

The voting outcome at the 7 February 2013 AGM in respect of the Directors' Remuneration Report for the year ended 30 September 2012 is set out on page 70 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 Ian Robinson

Chairman of the Remuneration Committee  
27 November 2013

# Remuneration 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 strategic 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. Shareholders are regularly consulted on the Remuneration Policy and in respect of prospective changes. Extensive engagement was carried out during the financial year ended 30 September 2013 in relation to the amendment of the LTIP performance targets. The views of the Group's top 20 Shareholders were sought together with those of the Association of British Insurers (ABI), Institutional Shareholder Services and the National Association of Pension Funds. The collective views of these bodies were taken into account, specifically in respect of the weightings of each of the targets, as part of the Committee's determination of the revised performance targets, which were approved at the AGM held on 7 February 2013.

The policy on remuneration of Directors (the Policy) is set out on pages 57 to 64. A separate Resolution will be put to Shareholders at the AGM to approve the Policy which, if approved, will take effect from the date of the AGM on 6 February 2014 and will apply until Shareholders next consider and vote on the Policy.

The Committee intends that the 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 target 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 Board. No consultation in respect of remuneration took place with employees during the year, as the Group has employees in around 50 different jurisdictions rendering such a consultation impracticable. However, there were no increases to base salary for the Executive Directors and other members of the Executive Board (save for a promotional increase for one member of the Executive Board) during the year ended 30 September 2013.

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 components of performance related remuneration are both appropriate and sufficiently 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.

## Component parts of the remuneration package

The key components of Executive Directors' remuneration for the period from 6 February 2014 to 30 September 2014 and beyond (the Policy Period), as well as for the year ended 30 September 2013, are summarised below:

| Component  | Reason  | Mechanics  |          |
|--|---|--|----------|
| <b>Base Salary</b>   | 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. | <p>Base salaries are reviewed annually, appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.</p> <p>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.</p> <p>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 2013, there were limited or no increases in the average UK-wide pay review, outside of those set by collective bargaining arrangements, and none of the Executive Directors received an increase in base salary.</p> <p>The annual review of base pay reflecting such benchmarks and roles will determine the maximum amount that would be paid in base pay during the Policy Period. Any significant increase, such as where an Executive Director is relatively new in a role, there are changes in responsibilities or significant variances to the market exist, will be appropriately explained.</p> |          |
| The annual base salaries of the Executive Directors for the year ended 30 September 2013 were: |   |  |          |
| Director   | Base Salary   | Effective Date   | Increase |
| Dominic Blakemore  | £480,000  | 1 January 2013   | Nil      |
| Richard Cousins  | £965,500  | 1 July 2013  | Nil      |
| Gary Green   | US\$1,170,080   | 1 January 2013   | Nil      |
| Andrew Martin  | £650,000  | 1 January 2013   | Nil      |
| <b>Benefits</b>  | 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. The cost of the benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits during the Policy Period.  |          |

# Directors' Remuneration Report

| Component           | Reason  | Mechanics   |
|---------------------|---|---|
| <b>Annual Bonus</b> | <p>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.</p> <p>The annual bonus is the primary form of short term cash based incentive which is intended to be part of the Policy for the Policy Period, as was the case for the year ended 30 September 2013.</p> | <p>The target or par award for the Policy Period is intended to remain the same as for the year ended 30 September 2013, being 75% of base salary, with a further maximum of 75% of base salary available for enhanced performance.</p> <p>As was the case for the year ended 30 September 2013, the Committee agreed that, for the year ending 30 September 2014 and beyond, the bonus measures be comprised of: Underlying Profit Before Interest and Tax (PBIT); Organic Revenue Growth (ORG); Adjusted Free Cash Flow (Adjusted FCF) or 12 Month Average Working Capital Balance (MAWC); and Health, Safety and Environment Improvement (HSE).</p> <p>The 15% Personal Target element of the bonus, which applied for the year ended 30 September 2012, was replaced by the HSE target for the year ended 30 September 2013, which represented 5% of the total bonus opportunity. The remaining 95% of the total bonus opportunity for the year ended 30 September 2013 related to financial performance. The HSE target is set as an improvement percentage over a one year period, equally weighted across lost time injury rates and food safety incident rates. Each target must be achieved in full to receive that element of bonus. HSE for the Company's North American business is measured through PBIT. This structure, and specifically the measure and targets relating to PBIT, is used for the wider Leadership Team across the Group.</p> <p>The bonus measures and percentages applying to each financial measure vary, depending upon a Director's area of responsibility, and are shown in the table below. The PBIT and ORG targets are subject to adjustments for acquisitions and disposals, and bonus measures dependent on Adjusted FCF are subject to the caveat that Adjusted FCF should not be affected by Board approved capital expenditure or other special or irregular timing differences.</p> <p>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.</p> <p>PBIT and ORG are two of our Key Performance Indicators and have a direct impact on Shareholder value. The use of Adjusted FCF and MAWC more closely aligns remuneration metrics with the Group's trading results and Adjusted FCF is a key measure of performance in reported results, including the ability to pay dividends. In setting the actual level of targets each year, the Committee has regard to investors' expectations, budgets and longer term business plans.</p> <p>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.</p> <p>The Committee is satisfied that the performance targets continue to be sufficiently stretching and promote the Company's business strategy and Shareholder value.</p> <p>Details of the specific targets applying to each element of the bonus for the year ended 30 September 2013 and achieved performance are shown in the Annual Remuneration Report on page 66 and form part of the Policy.</p> <p>The Committee has set the targets for the annual bonus plan for the year ended 30 September 2014 but has chosen not to disclose the details in this Report as it is the opinion of the Committee that it may be seriously prejudicial to the interests of the Company to do so, and our major competitors do not disclose their targets or projected forecasts. However, the specific targets and the extent to which the targets have been met will be disclosed in next year's Report.</p> |

The annual bonus elements for Executive Directors for the year ending 30 September 2014 are:

| Measure      | Dominic Blakemore | Richard Cousins  | Gary Green       | Andrew Martin    |
|--------------|-------------------|------------------|------------------|------------------|
| PBIT         | 55% <sup>1</sup>  | 55% <sup>1</sup> | 60% <sup>2</sup> | 55% <sup>2</sup> |
| Adjusted FCF | 15%               | 15%              | –                | –                |
| MAWC         | –                 | –                | 15% <sup>3</sup> | 15% <sup>3</sup> |
| ORG          | 25% <sup>4</sup>  | 25% <sup>4</sup> | 25% <sup>5</sup> | 25% <sup>5</sup> |
| HSE          | 5%                | 5%               | –                | 5%               |
| Total        | 100%              | 100%             | 100%             | 100%             |

1 PBIT on a Group-wide basis.

2 PBIT split between Group PBIT and PBIT for region of responsibility (Mr Green: 5% Group / 55% Regional; Mr Martin: 5% Group / 50% Regional).

3 MAWC for region of responsibility.

4 ORG on a Group-wide basis.

5 ORG for region of responsibility.

| Component                                     | Reason   | Mechanics   |
|---|--|---|
| <p><b>Long Term Incentive Plan (LTIP)</b></p> | <p>The LTIP aligns the interests of Executive Directors and Shareholders through building a long term shareholding in the Company.</p> <p>The generation of cash is fundamental to the ongoing success of the Group and the use of Adjusted FCF as an LTIP performance measure directly aligns to this. In parallel, ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns. The third performance measure of TSR provides direct alignment between the interests of Executive Directors and Shareholders.</p> <p>The LTIP is the primary form of equity based incentive which is intended to be part of the Policy for the Policy Period, as was the case for the year ended 30 September 2013.</p> | <p>Under the LTIP, Executive Directors and Senior Executives may receive a conditional Award of ordinary shares in the capital of the Company which may vest after a single three year performance period, based on the achievement of stretching performance conditions.</p> <p>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.</p> <p>At the AGM on 7 February 2013, following extensive consultation, Shareholders approved the amendment to the LTIP performance targets set out in last year's Report and Awards made since that date under the LTIP have been based on Adjusted FCF, improvement in Return on Capital Employed (ROCE) and Total Shareholder Return (TSR), each measure applying to one third of an Award.</p> <p>Adjusted FCF is measured over a single three year performance period commencing on 1 October in the first year of the performance period and includes capital expenditure, net interest and tax spend but excludes discontinued activities, acquisition spend, disposal proceeds, dividends and unusual or irregular timing differences. ROCE improvement aims to measure the underlying economic performance of the Company and is measured over the same three year performance period. ROCE is calculated using the underlying 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.</p> <p>The precise Adjusted FCF and ROCE improvement targets for each Award are linked to the Group's wider business targets and are set by the Committee at the time of award based on Group projections and market expectations. Details of the targets for the years ended 30 September 2013 and ending 30 September 2014 are shown on page 67 and a similar approach is intended to be taken in respect of subsequent years and will be reported in next year's Annual Report.</p> <p>Vesting under that element of each Award based on Adjusted FCF and ROCE will be on a straight-line basis on achievement of threshold and maximum performance, with 50% vesting on achievement of on-target performance. If performance does not reach the threshold level, vesting for that element of an Award will be nil.</p> <p>TSR is measured over the same period relative to the companies comprising the TSR comparator group at the start of the period (the constituent members of the 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) and an averaging period of three months is used.</p> <p>The element of an Award based on TSR will vest in full for top quartile performance achievement and 25% of that element of the Award will vest if performance is at the median. Awards will vest on a straight-line basis between median and top quartile performance achievement. No shares will be released for this element of an Award if the Company's TSR performance is below the median.</p> <p>For Awards made prior to 7 February 2013, 50% of any Award was based on Adjusted FCF 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.</p> |

# Directors' Remuneration Report

| Component   | Reason   | Mechanics  |
|---|--|--|
| <b>Long Term Incentive Plan (LTIP)</b><br>continued |  | <p>Calculations of the achievement of the targets are independently performed and are approved by the Committee. At the end of the performance period, in order to ensure continued alignment between Executive Directors' and Shareholders' interests, in determining final vesting under the LTIP, the Committee reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory.</p> <p>If a participant retires during the period up to vesting, 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 otherwise 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. The Committee's policy with regard to the exercise of discretion is set out on pages 63 and 64.</p> <p>In the event of a change of control, any unvested Awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time apportioned basis. Similar treatment applies in the event of the death of a participant.</p> <p>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.</p> <p>Benefits under the LTIP are not pensionable.</p> <p>Details of all extant LTIPs held by Executive Directors are shown on page 68 of the Report.</p> |
| <b>Pension or Cash Allowance</b>                    | Rewards sustained contribution and encourages retention. | <p>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.</p> <p>The Group's policy is not to offer defined benefit arrangements to new employees at any level (save where required by applicable legislation).</p> <p>At 30 September 2013 there were no Executive Directors actively participating in any Compass Group defined benefit pension arrangements and none of the Executive Directors was accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as Executive Directors.</p> <p>Dominic Blakemore, Richard Cousins and Gary Green each receive a salary supplement equal to 35% of their base salaries in lieu of pension. As reported in 2006, Andrew Martin has, since 6 April 2006, received a salary supplement equal to 35% of his base 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.</p>  |

The Executive Directors' Remuneration Policy differs from that of other members of the Executive Board solely in respect of quantum of the various components and remuneration. Members of the wider management team receive each of the components of remuneration awarded to the Executive Directors save that the equity element is awarded pursuant to a share option scheme (in the year ended 30 September 2013) rather than under the LTIP, although the LTIP is intended to be used for Awards made to the management team for the year ending 30 September 2014 and beyond. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

### Closed incentive plans

The LTIP described in the table on pages 59 and 60 is the primary form of equity incentive for Executive Directors. Some share incentive Awards remain extant which were awarded to Executive Directors prior to 2010 under the Compass Group Long Term Incentive Plan (the former LTIP). Under the former 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 former LTIP was based on Adjusted FCF and 50% on the Company's TSR. Further details of the former LTIP may be found in the 2010 Annual Report. Details of the number of existing Awards held by Executive Directors under the former LTIP are included in the table on page 68.

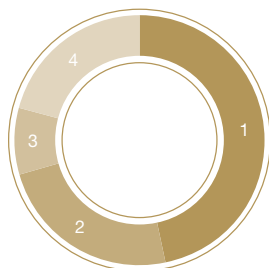
### Dilution limits

All of the Company's equity based incentive plans incorporate the current 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 reissue 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 held or utilised in the year ended 30 September 2013.

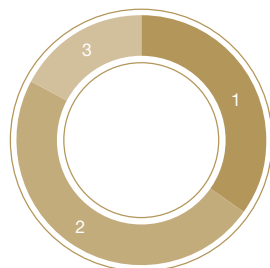
As at 30 September 2013, the Company's headroom position, which remains within current ABI Guidelines, was as shown in the charts below:

**10% in 10 years**



- 1 4.69% Headroom
- 2 2.39% Discretionary options
- 3 0.86% LTIP
- 4 2.06% All-employee

**5% in 10 years**



- 1 1.75% Headroom
- 2 2.39% Discretionary options
- 3 0.86% LTIP

### 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 Group Chief Executive is required to hold a personal shareholding equal to the value of twice his base salary. Other Executive Directors are required to hold a personal shareholding equal to the value of one and a half times their base salary, and members of the Executive Board equal to the value of their base salary. Non-Executive Directors are required to hold a personal shareholding equal to the value of their base 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 guidance 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.

If the guideline is not met within this timeframe, then the Committee will discuss with the Director a plan to ensure that the guideline is met over an acceptable timeframe. The granting of future LTIP Awards to an Executive Director will be conditional upon reaching the appropriate threshold in the required timeframe.

Details of the interests of Directors in shares and equity incentives are set out on page 69 together with the extent to which each of the Directors has complied with the guidelines as at 30 September 2013.

# Directors' Remuneration Report

## Illustrations of the application of our remuneration policy

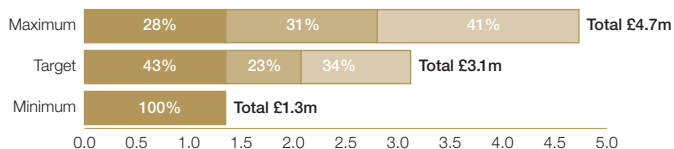
The value and composition of the Executive Directors' remuneration packages for the year ending 30 September 2014 at below threshold, threshold (par or target) and maximum scenarios under the Policy are set out in the charts below.

The graphs show an estimate of the remuneration that could be received by Executive Directors under the Policy set out in this Report. Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target performance and remuneration payable at maximum performance to each Director under the Policy.

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

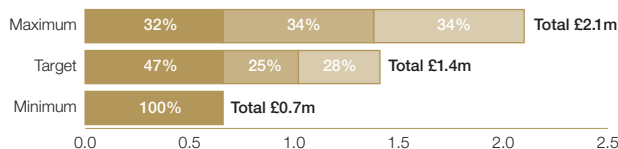
### Richard Cousins

#### Illustration of package



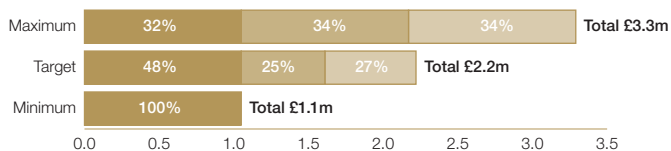
### Dominic Blakemore

#### Illustration of package



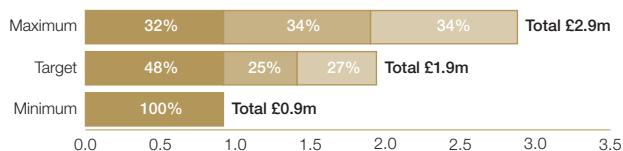
### Gary Green

#### Illustration of package



### Andrew Martin

#### Illustration of package



■ Fixed elements of remuneration ■ Annual bonus ■ Long Term Incentive Plan

#### Notes:

The scenarios in the above graphs are defined as follows:

|   | Minimum   | Target performance | Maximum performance |
|---|---|--------------------|---------------------|
| <b>Fixed elements of remuneration</b>                                   | <ul style="list-style-type: none"> <li>Base salary as at 30 September 2013</li> <li>Estimated value of benefits provided under the remuneration policy</li> <li>Cash supplement in lieu of pension of 35% of base salary</li> <li>Note that Gary Green's fixed elements of pay are converted into GBP with an exchange rate of \$1.5652/£1</li> </ul> |                    |                     |
| <b>Annual bonus</b><br>(payout as a % maximum opportunity)              | 0%  | 50%                | 100%                |
| <b>Long Term Incentive Plan</b><br>(vesting as a % maximum opportunity) | 0%  | 54% <sup>1</sup>   | 100%                |

<sup>1</sup> Based on Adjusted FCF and ROCE performance measures vesting at 50% of maximum and the TSR measure paying out at 62.5% of maximum (midway between threshold and maximum payout).



## Approach to recruitment remuneration

The Committee will apply the same remuneration policy during the Policy Period as that which applies to existing Executive Directors when considering the recruitment of a new Executive Director in respect of all elements of remuneration, that is: salary, benefits, pension and short term and long term incentives. Whilst it is envisaged that the maximum level of variable remuneration which may be granted would be within plan rules and identical to the maximum opportunity for existing Executive Directors of 150% and 200% of base salary in respect of the bonus and LTIP opportunity per annum respectively, in unusual circumstances, an arrangement may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. The policy for the recruitment of Executive Directors during the Policy Period includes the opportunity to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, and the additional provision of benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment.

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

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

## Executive Directors' service agreements

It is the Company's policy that Executive Directors have rolling service contracts.

The current Executive Directors' service contracts contain the key terms shown in the table below:

### Service contract key terms by provision

| Provision                | Detailed terms   |
|--------------------------|--|
| <b>Remuneration</b>      | <ul style="list-style-type: none"> <li>• Base salary, pension and benefits</li> <li>• Company car or cash allowance</li> <li>• Private health insurance for Director and dependents</li> <li>• Life assurance</li> <li>• Financial planning advice</li> <li>• 25 days' paid annual leave</li> <li>• Participation in annual bonus plan, subject to plan rules</li> <li>• Participation in LTIP, subject to plan rules</li> </ul> |
| <b>Change of Control</b> | <ul style="list-style-type: none"> <li>• No special contractual provisions apply in the event of a change of control</li> </ul>  |
| <b>Notice Period</b>     | <ul style="list-style-type: none"> <li>• 12 months' notice from the Company</li> <li>• 6 months' notice from the Director (12 months' from Richard Cousins)</li> </ul>   |

| Provision                    | Detailed terms   |
|------------------------------|--|
| <b>Termination Payment</b>   | <ul style="list-style-type: none"> <li>• Payment in lieu of notice equal to: <ul style="list-style-type: none"> <li>– 12 months' base salary</li> <li>– Pension supplement</li> <li>– 10% of base salary in respect of benefits</li> </ul> </li> </ul> <p>All of the above would be paid in monthly instalments, subject to an obligation on the part of the Director to mitigate his loss such that payments will either reduce, or cease completely, in the event that the Director gains new employment/ remuneration</p> |
| <b>Restrictive Covenants</b> | <ul style="list-style-type: none"> <li>• During employment and for 12 months after leaving</li> </ul>  |

The historic policy on the payment of bonus on termination, which was in place prior to June 2008, was the provision of a payment, at par or target, of bonus in respect of the notice period, where the Company exercised its right to make a payment in lieu of notice. Messrs Cousins, Green and Martin's service contracts are based on this historic policy. After careful consideration, the Committee concluded that it would not be in Shareholders' interests to migrate such contracts onto the policy in place since June 2008. Dominic Blakemore's service contract fully complies with the policy in effect from June 2008. 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 believes the obligation to mitigate adequately addresses the issue.

All of the Executive Directors' service contracts were entered into before 27 June 2012 and have not been modified or renewed on or after that date. As such, remuneration payments or payments for loss of office that are required to be made under them are not required to be (but are) consistent with the Policy.

Details of the rights of leavers under the LTIP are shown on page 60. 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 attendant performance conditions. In such circumstances, Awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise.

# Directors' Remuneration Report

Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to 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 may be adjusted from year to year.

The Senior Executives who are members of the Executive Board, and who are referred to in note 3 of the consolidated financial statements on page 91, 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 Sep 2013 |
|-------------------|------------------|---|
| Dominic Blakemore | 12 December 2011 | 1 year, 7 months                          |
| Richard Cousins   | 22 November 2007 | 7 years, 5 months                         |
| Gary Green        | 27 November 2007 | 6 years, 9 months                         |
| Andrew Martin     | 27 November 2007 | 9 years, 6 months                         |

## 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 2013, the Chairman's fee of £432,806 per annum was determined to be appropriate at the time of review and no increase was effected.

The Chairman, Sir Roy Gardner, 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. Sir Roy Gardner will retire following the AGM on 6 February 2014 and, in accordance with his engagement letter, he will not receive any compensation for loss of office.

Paul Walsh, who will succeed Sir Roy Gardner as Chairman on 6 February 2014, has a letter of engagement dated 19 June 2013 for a period of three years from 1 January 2014. Mr Walsh will join the Board as a Non-Executive Director on 1 January 2014 and will become Chairman at the conclusion of the AGM. He will receive a fee of £81,000 per annum initially, increasing to £475,000 per annum on his appointment as Chairman on 6 February 2014. In addition, £50,000 plus VAT per annum will be paid in lieu of the provision by the Company of a car and chauffeur for use on Company business. He is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements. Mr Walsh's appointment is terminable without compensation on six months' notice from either side.

## Non-Executive Directors' remuneration

The fees for the Non-Executive Directors are reviewed and determined by the Board each year to reflect appropriate market conditions. Following a benchmarking exercise carried out during the year, the current level of fees was determined to be appropriate for the year ended 30 September 2013 and no increase was effected during the year under review.

The fees for the year ending 30 September 2014 (as was the case for the year ended 30 September 2013) comprise a base fee of £81,000 per annum which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees. Subject to a cap on the maximum amount of fees payable to any Non-Executive Director of £125,000 per annum, an additional fee of £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 Director. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements.

Non-Executive Directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable at three year intervals by mutual consent. In accordance with the Code, all Directors offer themselves for annual re-election by Shareholders. Details of Non-Executive Directors' 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 as at 30 Sep 2013 |
|------------------------|------------------------------|--|---|
| John Bason             | 21 Jun 2011                  | 10 May 2011  | 2 years, 3 months                         |
| Susan Murray           | 11 Oct 2007                  | 11 Oct 2007<br>(rev. 16 Mar 2010)<br>(rev. 8 May 2013) | 6 years                                   |
| Don Robert             | 8 May 2009                   | 8 May 2009<br>(rev. 8 May 2012)                        | 4 years, 5 months                         |
| Sir Ian Robinson       | 1 Dec 2006                   | 1 Dec 2006<br>(rev. 21 Sep 2009)<br>(rev. 14 Nov 2012) | 6 years, 10 months                        |

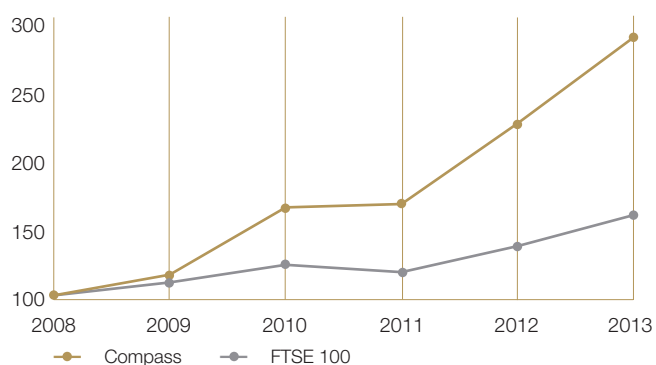
# Annual Remuneration Report

## Remuneration in detail for the year ended 30 September 2013

### Total Shareholder Return (TSR)

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 2013. 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 Director remuneration policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Company. To maintain this relationship, the Committee constantly reviews the business priorities and the environment in which the Company operates. The table below shows Richard Cousins' total remuneration over the last five years and his achieved annual variable and long term incentive pay awards as a percentage of the plan maxima.

| Richard Cousins | Single figure of total remuneration £000 | Annual variable element: Award payout against maximum opportunity % | LTIP vesting rates against maximum opportunity % |
|-----------------|--|---|--|
| 2013            | 5,532                                    | 84.5  | 98.05  |
| 2012            | 4,867 <sup>1</sup>                       | 71.8  | 100  |
| 2011            | 4,410                                    | 75  | 100  |
| 2010            | 5,614                                    | 96  | 100  |
| 2009            | 5,268                                    | 85  | 100  |

<sup>1</sup> LTIP indicative vesting amount of £2.451 million was disclosed in the 2012 Annual Report. Actual gain of £2.507 million included in the amount shown in the table.

## Percentage change in remuneration of Group Chief Executive

In the financial year ended 30 September 2013 Mr Cousins received 2.2% salary, 0.25% taxable benefits and 17.7% bonus more than the equivalent amounts for the year ended 30 September 2012. The average percentage changes for all full-time equivalent employees based in the UK were 1.6%, 4.4% and (29.9)% respectively. The UK employee workforce was chosen as a suitable comparator group as Mr Cousins is based in the UK (albeit with a global role and responsibilities) and pay changes across the Group vary widely depending on local market conditions.

## Relative importance of spend on pay

The following table sets out the amounts paid in share buybacks, dividends and total employee costs for the years ended 30 September 2012 and 2013.

| Dispersals           | 2013 £m | 2012 £m | Change % |
|----------------------|---------|---------|----------|
| Share buybacks       | 446     | 361     | 23.5     |
| Dividends paid       | 404     | 378     | 6.9      |
| Total employee costs | 8,131   | 7,810   | 4.1      |

- 54.4 million shares were repurchased during the year ended 30 September 2012 under the £500 million buyback announced on 23 November 2011 and 56.3 million shares were repurchased during the year ended 30 September 2013 in completion of the £500 million buyback and under the £400 million buyback announced on 21 November 2012.
- The total dividend 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 total dividend paid during the year ended 30 September 2013 was £404 million based on a share capital in issue on that date of 1,804 million ordinary shares. The full year dividend per ordinary share for the year ended 30 September 2013 increased by 12.7%.
- 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 508,714 (2012) and 506,699 (2013).

# Directors' Remuneration Report

## Directors' single total figure of remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the Executive Directors for the year ended 30 September 2013.

### Single Total Figure Table

| Director                       | Base Salary <sup>3</sup><br>£000 |              | Taxable Benefits <sup>4</sup><br>£000 |            | Bonus <sup>5</sup><br>£000 |              | LTIP <sup>5</sup><br>£000 |                   | Pension <sup>8</sup><br>£000 |            | Total<br>£000 |               |
|--------------------------------|----------------------------------|--------------|---------------------------------------|------------|----------------------------|--------------|---------------------------|-------------------|------------------------------|------------|---------------|---------------|
|                                | 2013                             | 2012         | 2013                                  | 2012       | 2013                       | 2012         | 2013 <sup>6</sup>         | 2012 <sup>7</sup> | 2013                         | 2012       | 2013          | 2012          |
| Dominic Blakemore <sup>1</sup> | 480                              | 283          | 16                                    | 9          | 608                        | 305          | –                         | –                 | 168                          | 99         | 1,272         | 696           |
| Richard Cousins                | 966                              | 945          | 44                                    | 44         | 1,224                      | 1,040        | 2,960                     | 2,451             | 338                          | 331        | 5,532         | 4,811         |
| Gary Green <sup>2</sup>        | 748                              | 734          | 45                                    | 45         | 1,116                      | 922          | 1,708                     | 1,884             | 262                          | 257        | 3,879         | 3,842         |
| Andrew Martin                  | 650                              | 612          | 47                                    | 43         | 878                        | 710          | 1,332                     | 1,470             | 228                          | 214        | 3,135         | 3,049         |
| <b>Total by component</b>      | <b>2,844</b>                     | <b>2,574</b> | <b>152</b>                            | <b>141</b> | <b>3,826</b>               | <b>2,977</b> | <b>6,000</b>              | <b>5,805</b>      | <b>996</b>                   | <b>901</b> | <b>13,818</b> | <b>12,398</b> |

1 Dominic Blakemore was appointed as a Director on 27 February 2012 and the amounts shown for 2012 are prorated remuneration amounts.

2 Gary Green's salary of US\$1.170 million and his other emoluments are given in Sterling using an exchange rate of US\$1.5652/£1 (2012: US\$1.5826/£1).

3 There were no increases to base salary for the Executive Directors and other members of the Executive Board (save for a promotional increase for one non-Director member of the Executive Board) during the year ended 30 September 2013.

4 Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.

5 Details of the performance measures and weighting as well as achieved results for the bonus and LTIP components are shown below.

6 LTIP 2013: Amount shown is the vesting value as at 27 November 2013 (the date of vesting) of LTIPs that have become receivable as a result of the achievement of conditions relating to performance in the three years ended 30 September 2013, calculated in accordance with the Regulations.

7 LTIP 2012: Amount shown is indicative vesting value on 13 November 2012. The value subsequently received by Messrs Cousins, Green and Martin, based on the closing share price on the day prior to release was £2,507,303, £1,927,457 and £1,504,373 respectively, equating to a total additional combined sum received of £222,717.

8 Pension: A supplement of 35% of base salary is paid in monthly instalments in lieu of pension participation.

Non-Executive Directors receive fees only, which are shown on page 69, together with the Chairman's fees and benefits.

The aggregate total amount of remuneration received by all Directors during the year ended 30 September 2013 is shown below:

|                                      | 2013          | 2012          |
|--------------------------------------|---------------|---------------|
| Executive Directors                  | 13,818        | 12,398        |
| Chairman and Non-Executive Directors | 940           | 979           |
| <b>Total</b>                         | <b>14,758</b> | <b>13,377</b> |

## 2012-2013 Bonus

### Performance measure outcomes

The financial targets for the bonus for the year ended 30 September 2013, and the extent to which they were achieved, were as set out below. The achievement of targets is calculated on a straight-line basis between Minimum and Par (target) and between Par (target) and Maximum. As was the case for previous years, the measurement of the achievement of the Adjusted FCF and PBIT results is based on the underlying outcome achieved in the financial year, so that charges, such as those related to the European exceptional and goodwill impairment, are excluded.

| Financial Measures | Minimum | Par (target) | Maximum | Achieved |
|--------------------|---------|--------------|---------|----------|
| PBIT               | £1,227m | £1,253m      | £1,278m | £1,273m  |
| Adjusted FCF       | £666m   | £680m        | £694m   | £834m    |
| Revenue Growth     | +3%     | +4%          | +5%     | +4.3%    |

|                           | 2012-2013 Target | 2012-2013 achieved | Target achieved |
|---------------------------|------------------|--------------------|-----------------|
| HSE Improvement           |                  |                    |                 |
| Lost Time Injury Rate     | 6.75             | 6.17               | Yes             |
| Food Safety Incident Rate | 0.39             | 0.42               | No              |

The resultant percentages against each of the bonus measures achieved by each Executive Director 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 |
| PBIT         | 54/60                            | 54/60                            | 49.5/50                          | 64.5/65                          |
| Adjusted FCF | 15/15                            | 15/15                            | –                                | –                                |
| MAWC         | –                                | –                                | 15/15                            | 15/15                            |
| ORG          | 13/20                            | 13/20                            | 15/15                            | 5.5/15                           |
| HSE          | 2.5/5                            | 2.5/5                            | –                                | 5/5                              |
| Margin       | –                                | –                                | 20/20                            | –                                |
| <b>Total</b> | <b>84.5/100</b>                  | <b>84.5/100</b>                  | <b>99.5/100</b>                  | <b>90/100</b>                    |

### Bonus payout

The outcome of the annual bonus for the year ended 30 September 2013 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.

|                   | 2012-2013 bonus payment (as % of base salary) | Value of bonus |
|-------------------|---|----------------|
| Dominic Blakemore | 126.75%                                       | £608,400       |
| Richard Cousins   | 126.75%                                       | £1,223,771     |
| Gary Green        | 149.25%                                       | \$1,746,344    |
| Andrew Martin     | 135.00%                                       | £877,500       |

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

Following approval by Shareholders of new performance conditions and their weightings for the LTIP at the AGM held on 7 February 2013, Executives received a conditional Award of shares which may vest after a three year performance period which will end on 30 September 2015, based on the achievement of stretching performance conditions, details of which may be found in the table below.

| Director          | LTIP Award<br>(as a %<br>of base salary) | Face value<br>of Award <sup>1</sup><br>£000 |
|-------------------|--|---|
| Dominic Blakemore | 150%                                     | 718   |
| Richard Cousins   | 200%                                     | 1,926                                       |
| Gary Green        | 150%                                     | 1,106                                       |
| Andrew Martin     | 150%                                     | 972   |

1 Face value of Award as at the date of grant on 12 February 2013 based on the market price of a share of 775.00 pence on that day.

The table below sets out the performance measures for the Awards:

| Definition of measure  | Weighting |
|--|-----------|
| <b>Adjusted FCF</b> Adjusted FCF includes capital expenditure, net interest and net tax spend but excludes discontinued activities, acquisition spend, disposal proceeds, and unusual or irregular timing differences.   | 1/3       |
| <b>ROCE improvement</b> The definition aims to measure the underlying economic performance of the Company. ROCE is calculated using the underlying 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. | 1/3       |
| <b>TSR</b> Performance compared to that of constituent members of the 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).   | 1/3       |

In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions. The table below shows the targets against which performance has been measured to determine the vesting of the grant of Awards for the year ended 30 September 2013 and forms part of the Policy detailed in the Policy Report on pages 57 to 64.

### Targets for the year ended 30 September 2013

#### Adjusted FCF and ROCE targets

| Level of performance | Vesting %<br>of each<br>component | Adjusted<br>FCF | 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 | Vesting %<br>of each<br>component |
|----------------------|-----------------------------------|
| Below Median         | 0%                                |
| Median               | 25%                               |
| Upper Quartile       | 100%                              |

The table below shows the targets against which performance will be measured to determine the vesting of the grant of Awards for the year ending 30 September 2014 and forms part of the Policy detailed in the Policy Report on pages 57 to 64. Such Awards are proposed to be made after the release of the preliminary results for the year ended 30 September 2013.

### Targets for awards proposed to be made in the year ending 30 September 2014

#### Adjusted FCF and ROCE targets

| Level of performance | Vesting %<br>of each<br>component | Adjusted<br>FCF | ROCE  |
|----------------------|-----------------------------------|-----------------|-------|
| Threshold            | 0%                                | £2,423m         | 18.4% |
| Par (target)         | 50%                               | £2,551m         | 19.2% |
| Maximum              | 100%                              | £2,679m         | 20.1% |

#### TSR target

| Level of performance | Vesting %<br>of each<br>component |
|----------------------|-----------------------------------|
| Below Median         | 0%                                |
| Median               | 25%                               |
| Upper Quartile       | 100%                              |

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

Awards vest on a straight-line basis between threshold and 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 Adjusted FCF, ROCE and TSR performance, as determined by the above definitions, at the end of the performance period.

### Long Term Incentive Plan performance

As the Adjusted FCF performance measure was achieved in full at the end of the three year performance period, but the TSR ranking was at 21st place in the comparator group, the LTIP awards made during the 2010-2011 financial year vested at 98.05%. Shares will be delivered to individuals following the release of the preliminary results for the year ended 30 September 2013. In this context, the European exceptional charge, that was announced in the year ending 30 September 2012, was made well after the Award of the 2010-2011 LTIP and has in fact produced significant returns for Shareholders, as referred to on page 7. Nevertheless, the Committee noted that the outcome of the Adjusted FCF element of the Award was not impacted by this charge and therefore it was not necessary to exercise any discretion with respect to the vesting of the Award.

# Directors' Remuneration Report

## 2010-2011 LTIP performance period ended 30 September 2013 and vested 27 November 2013

| Name            | Performance conditions                |  | Number of shares awarded | Number of shares vested | Value of shares on vesting date £000 |
|-----------------|---------------------------------------|--|--------------------------|-------------------------|--------------------------------------|
|                 | TSR % vested on maturity <sup>1</sup> | Adjusted FCF % vested on maturity <sup>2</sup> |                          |                         |                                      |
| Richard Cousins | 96.1%                                 | 100%   | 321,678                  | 315,405                 | 2,960                                |
| Gary Green      | 96.1%                                 | 100%   | 185,630                  | 182,010                 | 1,708                                |
| Andrew Martin   | 96.1%                                 | 100%   | 144,754                  | 141,931                 | 1,332                                |

1 TSR ranking was 21st in its comparator group.

2 Adjusted FCF for the performance period ended September 2013 was maximum £2,290 million (minimum £2,181 million) and was adjusted to reflect certain tax and pension payments, together with capital investment in the Australian Defence, Offshore & Remote business.

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 2013:

| Year of award | Maturity date | Performance conditions | TSR % vested on maturity or indicative vesting percentage | Adjusted FCF % vested on maturity |
|---------------|---------------|------------------------|---|-----------------------------------|
| 2008-2009     | 1 Oct 2011    | TSR/Adjusted FCF       | 100%  | 100%                              |
| 2009-2010     | 1 Oct 2012    | TSR/Adjusted FCF       | 100%  | 100%                              |
| 2010-2011     | 1 Oct 2013    | TSR/Adjusted FCF       | 96.1%   | 100%                              |
| 2011-2012     | 1 Oct 2014    | TSR/Adjusted FCF       | 100% (after 24 months)                                    | n/a                               |
| 2012-2013     | 1 Oct 2015    | TSR/Adjusted FCF       | 92.9% (after 12 months)                                   | n/a                               |

Adjusted FCF targets for each of the last three years are shown in note 25 on page 121 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 2013, are shown in the table below. None of the Executive Directors hold any extant Award under any previously operated share option scheme:

### LTIP

| Director          | As at 30 Sep 2012: 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 2013: 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    |
|                   | –                                   | 92,664                                    | –  | –  | 92,664                              | 775.00                               | 12 Feb 2013   | 1 Oct 2015    |
| <b>Total</b>      | <b>114,832</b>                      | <b>92,664</b>                             | <b>–</b>                                   | <b>–</b>                                 | <b>207,496</b>                      |                                      |               |               |
| Richard Cousins   | 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    |
|                   | –                                   | 248,517                                   | –  | –  | 248,517                             | 775.00                               | 12 Feb 2013   | 1 Oct 2015    |
| <b>Total</b>      | <b>1,015,580</b>                    | <b>248,517</b>                            | <b>350,182</b>                             | <b>–</b>                                 | <b>913,915</b>                      |                                      |               |               |
| Gary Green        | 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    |
|                   | –                                   | 142,728                                   | –  | –  | 142,728                             | 775.00                               | 12 Feb 2013   | 1 Oct 2015    |
| <b>Total</b>      | <b>649,344</b>                      | <b>142,728</b>                            | <b>269,198</b>                             | <b>–</b>                                 | <b>522,874</b>                      |                                      |               |               |
| Andrew Martin     | 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    |
|                   | –                                   | 125,481                                   | –  | –  | 125,481                             | 775.00                               | 12 Feb 2013   | 1 Oct 2015    |
| <b>Total</b>      | <b>511,048</b>                      | <b>125,481</b>                            | <b>210,108</b>                             | <b>–</b>                                 | <b>426,421</b>                      |                                      |               |               |

### Notes:

50% of each Award granted prior to 7 February 2013 is based on a three year Adjusted FCF target, and 50% is based on growth in the Company's TSR relative to the FTSE 100, excluding its financial services constituents.

One third of each Award granted from 7 February 2013 is based on a three year Adjusted FCF target, one third on a ROCE improvement target and one third 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 £5,943,282 in the year ended 30 September 2013. The share price at the time of release of their Awards was 716.50 pence per share.

The market price on 27 November 2013, the date of vesting of the Award made on 25 November 2010, was 938.50 pence.

All Awards were granted for nil consideration.

The highest mid-market price of the Company's ordinary shares during the year ended 30 September 2013 was 910.50 pence and the lowest was 671.50 pence. The year end price was 850.00 pence.

## Pensions

At 30 September 2013, 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 base salary in lieu of pension during the year as shown in the single total figure table on page 66.

## Exit payments

No Executive Directors left the Company during the year ended 30 September 2013 and therefore no payments for compensation for loss of office were paid to, or receivable by, any Director (30 September 2012: nil). No payments (other than regular pension benefits which were commenced in previous years) were made during the year ended 30 September 2013 to any past Director of the Company.

## 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 £96,625 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.

## Non-Executive Directors' remuneration

Details of amounts received by Sir Roy Gardner during the year ended 30 September 2013 are shown below.

| Chairman        | Fees<br>£000 | Benefits <sup>1</sup><br>£000 | 2013<br>£000 | 2012<br>£000 |
|-----------------|--------------|-------------------------------|--------------|--------------|
| Sir Roy Gardner | 433          | 61                            | 494          | 496          |

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

Details of the fees paid to each of the Non-Executive Directors for the year ended 30 September 2013 are set out below:

| Non-Executive Director        | 2013<br>£000 | 2012<br>£000 |
|-------------------------------|--------------|--------------|
| John Bason                    | 103          | 103          |
| James Crosby <sup>1</sup>     | 66           | 125          |
| Susan Murray                  | 93           | 93           |
| Don Robert                    | 81           | 81           |
| Sir Ian Robinson <sup>2</sup> | 103          | 81           |
| <b>Total</b>                  | <b>446</b>   | <b>483</b>   |

1 James Crosby stepped down from the Board on 9 April 2013.

2 Sir Ian Robinson became the Senior Independent Director and Remuneration Committee Chairman from 10 April 2013.

## Share ownership guidelines and Directors' interests in shares

In order that their interests are linked with those of Shareholders, Directors are expected to build up and maintain a personal shareholding in the Company as set out in the share ownership guidelines as described on page 61 of the Policy.

The Committee reviewed and noted that the guidelines were satisfied by all Directors during the year. The interests of the Directors in office during the year ended 30 September 2013 in shares and share incentives are shown in the table below.

|                           | Beneficial                    |                               | Conditional                     |                                 | Shareholding required <sup>1</sup> | Compliance with Shareholding guidelines <sup>2</sup> |
|---------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|------------------------------------|--|
|                           | Shares held as at 30 Sep 2013 | Shares held as at 30 Sep 2012 | LTIP holdings as at 30 Sep 2013 | LTIP holdings as at 30 Sep 2012 |                                    |  |
| John Bason                | 8,454                         | 5,688                         | n/a                             | n/a                             | 1 x                                | √  |
| Dominic Blakemore         | –                             | –                             | 207,496                         | 114,832                         | 1.5 x                              | √  |
| Richard Cousins           | 1,527,922                     | 1,359,403                     | 913,915                         | 1,015,580                       | 2 x                                | √  |
| James Crosby <sup>3</sup> | 34,000                        | 34,000                        | n/a                             | n/a                             | 1 x                                | √  |
| Sir Roy Gardner           | 192,678                       | 194,778                       | n/a                             | n/a                             | 1 x                                | √  |
| Gary Green                | 619,198                       | 606,856                       | 522,874                         | 649,344                         | 1.5 x                              | √  |
| Andrew Martin             | 650,000                       | 888,845                       | 426,421                         | 511,048                         | 1.5 x                              | √  |
| Susan Murray              | 13,000                        | 13,000                        | n/a                             | n/a                             | 1 x                                | √  |
| Don Robert                | 30,000                        | 30,000                        | n/a                             | n/a                             | 1 x                                | √  |
| Sir Ian Robinson          | 15,000                        | 15,000                        | n/a                             | n/a                             | 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.

3 Interests for James Crosby shown as at 9 April 2013.

Interests shown include the interests of connected persons.

There were no changes in Directors' interests between 30 September 2013 and 27 November 2013.

# Directors' Remuneration Report

## Remuneration of other senior executives and management

A number of Senior Executives and the Executive Directors comprise the Executive Board. These key management roles influence the ability of the Group to meet its strategic targets. The Committee 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 91 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 & People Processes), 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. Details of the members of the Committee who served during the year ended 30 September 2013 are set out on page 56.

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, including undertaking a benchmarking exercise in respect of the roles of the Chairman and Group Chief Executive, for which they received total fees of £40,650 (fees are based on hours spent).

Alithos Limited (Alithos) provided information for the testing of the TSR performance conditions for the Company's LTIP Awards, for which they received fixed fees of £24,000. They also provided the TSR performance graph for the Directors' Remuneration Report, for which they received a fixed fee of £500.

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. The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of its members generally, including Susan Murray who currently sits on the remuneration committees of two other quoted companies, including one as Chair of the committee.

## Shareholder vote on 2012 Directors' Remuneration Report

The table below shows the voting outcome at the 7 February 2013 AGM for the 2012 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' <sup>1</sup> |
|---|-----------------|---------------------------|-----------------|----------------------------|---|
| 1,236,666,804                           | 93.17%          | 90,666,039                | 6.83%           | 1,327,332,843              | 25,632,363                              |

<sup>1</sup> A vote withheld is not a vote in law.

93.17% of the votes cast were for the approval of the Directors' Remuneration Report, with 6.83% against (with 1.93% 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 changes made to the performance measures under the LTIP, as detailed in the Policy Report on page 59. 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.

At the AGM on 6 February 2014, Shareholders will be invited to vote on the Policy contained in the Policy Report and the Directors' Remuneration Report.

On behalf of the Board



**Sir Ian Robinson**

Chairman of the Remuneration Committee  
27 November 2013



# Financial statements

## Consolidated financial statements

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## Parent Company financial statements

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# Consolidated financial statements

## Directors' responsibilities

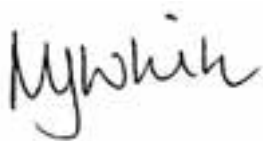
The Annual Report and Accounts complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority and the UK Corporate Governance Code in respect of the requirements to produce an annual financial report.

The Annual Report and Accounts is the responsibility of, and has been approved by, the Directors.

We confirm that to the best of our knowledge:

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy
- 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  
27 November 2013

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 Auditor to take whatever steps and undertake whatever inspections it considers to be appropriate for the purpose of enabling it to give its 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

## Opinion on financial statements of Compass Group PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Parent Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity, the accounting policies and the related notes 1 to 36. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 44 that the Group is a going concern.

We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- revenue recognition, including the judgement around cut-off of revenue recognition in accordance with contractual terms on multi-year contracts, which impacted reported results;
- the assessment of the carrying value of goodwill and intangible assets, particularly in respect of the Group's interests in the UK; and
- the Group's exposure to significant tax risks and the level of provisions recognised, given the estimation uncertainty in respect of settlements with tax authorities around the world.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

## Our application of materiality

We determined planning materiality for the Group to be £54 million which is approximately 5% of pre-tax profit from continuing operations before exceptional items, and below 2% of equity. We use pre-tax profit from continuing operations before exceptional items to exclude the effect of volatility (for example, the European exceptional and goodwill impairment) from our determination.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £1 million, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

## An overview of the scope of our audit

Our Group audit scope focused primarily on the audit work at 23 countries. Each of these 23 countries was subject to a full audit. These 23 countries represent the principal business units within the Group's three reportable segments and account for 88% of the Group's revenues, 87% of pre-tax profit from continuing operations before exceptional items and 89% of net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Statutory audits were performed at a further 20 countries, which represent a further 5% of the Group's total revenues, 6% of profit before tax and 1% of net assets. Where possible, the timing of statutory audits is aligned to the full scope timetable, however the performance and outcome from these audits does not impact our overall opinion on the Group financial statements. Our audit work at the 23 principal countries and the statutory audits were executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

The Group audit team has designed and implemented a rotational country visit programme so that the Senior Statutory Auditor or another senior member of the Group audit team, visits key countries. Those countries covered 75% of Group revenue. Each year this programme of visits includes the three most significant countries which comprise 59% of Group revenue. For the remaining countries where group audit work is performed but no visit is carried out, the Senior Statutory Auditor has discussed and challenged the key areas of judgement with the lead partner in the current year. We held regional briefings, attended by the component auditor from each of the 23 principal countries discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to significant risks.

The way in which we scoped our response to the risks identified above was as follows:

- we evaluated the controls over revenue recognition, including the timing of revenue recognition and the accounting for contractual terms and one-off items, performed substantive testing, analytical procedures and assessed whether the revenue recognition policies adopted complied with IFRSs;
- we challenged management's assumptions used in the impairment model for goodwill and intangible assets, described in note 10 to the financial statements, including specifically the cash flow projections, the discount rate, perpetuity rates applied to those cash flows, and the sensitivities used, particularly in respect of the Group's interests in the UK; and
- we considered the appropriateness of management's assumptions and estimates in relation to the level of provisions recognised and the allocation of tax charge between continuing and discontinuing operations, and performed substantive testing on significant tax exposures, including sales tax and social taxes.

The Audit Committee's consideration of these risks is set out on page 49.

# Independent auditor's report to the members of Compass Group PLC

## 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

### Corporate governance statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

### Our duty to read other information in the Annual Report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

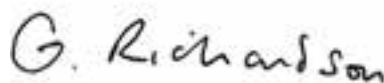
## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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 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.

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.

## 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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



### Graham Richardson (Senior Statutory Auditor)

for and on behalf of Deloitte LLP,  
Chartered Accountants and Statutory Auditor  
London, UK  
27 November 2013

# Consolidated income statement

for the year ended 30 September 2013

|  | Notes | Before<br>exceptional<br>items<br>2013<br>£m | Exceptional<br>items <sup>1</sup><br>2013<br>£m | Total<br>2013<br>£m | Before<br>exceptional<br>items<br>2012<br>£m | Exceptional<br>items <sup>1</sup><br>2012<br>£m | Total<br>2012<br>£m |
|--|-------|--|---|---------------------|--|---|---------------------|
| <b>Continuing operations</b>   |       |  |   |                     |  |   |                     |
| <b>Revenue</b>   | 1     | <b>17,557</b>                                | –   | <b>17,557</b>       | 16,905                                       | –   | 16,905              |
| Operating costs before goodwill impairment                                       | 2     | (16,329)                                     | (59)  | (16,388)            | (15,762)                                     | (295)   | (16,057)            |
| Goodwill impairment  | 10    | –  | (377)   | (377)               | –  | –   | –                   |
| <b>Operating profit</b>  | 1     | <b>1,228</b>                                 | <b>(436)</b>                                    | <b>792</b>          | 1,143  | (295)   | 848                 |
| Share of profit of associates  | 1, 13 | 10   | –   | 10                  | 8  | –   | 8                   |
| <b>Total operating profit</b>  | 1     | <b>1,238</b>                                 | <b>(436)</b>                                    | <b>802</b>          | 1,151  | (295)   | 856                 |
| (Loss)/gain on disposal of the US Corrections business                           | 5     | (1)  | –   | (1)                 | 23   | –   | 23                  |
| Finance income   | 4     | 8  | –   | 8                   | 9  | –   | 9                   |
| Finance costs  | 4     | (85)   | –   | (85)                | (94)   | –   | (94)                |
| Hedge accounting ineffectiveness   | 4     | (3)  | –   | (3)                 | (6)  | –   | (6)                 |
| Change in the fair value of investments and non-controlling interest put options | 4     | –  | –   | –                   | 1  | –   | 1                   |
| <b>Profit before tax</b>   |       | <b>1,157</b>                                 | <b>(436)</b>                                    | <b>721</b>          | 1,084  | (295)   | 789                 |
| Income tax expense   | 6     | (303)  | 16  | (287)               | (250)  | 72  | (178)               |
| <b>Profit for the year from continuing operations</b>                            |       | <b>854</b>                                   | <b>(420)</b>                                    | <b>434</b>          | 834  | (223)   | 611                 |
| <b>Discontinued operations</b>   |       |  |   |                     |  |   |                     |
| <b>Profit for the year from discontinued operations</b>                          | 7     | <b>3</b>                                     | –   | <b>3</b>            | –  | –   | –                   |
| <b>Continuing and discontinued operations</b>                                    |       |  |   |                     |  |   |                     |
| <b>Profit for the year</b>   |       | <b>857</b>                                   | <b>(420)</b>                                    | <b>437</b>          | 834  | (223)   | 611                 |
| <b>Attributable to</b>   |       |  |   |                     |  |   |                     |
| Equity shareholders of the Company   |       | 849  | (420)   | 429                 | 828  | (223)   | 605                 |
| Non-controlling interests  |       | 8  | –   | 8                   | 6  | –   | 6                   |
| <b>Profit for the year</b>   |       | <b>857</b>                                   | <b>(420)</b>                                    | <b>437</b>          | 834  | (223)   | 611                 |
| <b>Basic earnings per share (pence)</b>  |       |  |   |                     |  |   |                     |
| From continuing operations   | 8     |  |   | <b>23.3p</b>        |  |   | 32.1p               |
| From discontinued operations   | 8     |  |   | <b>0.2p</b>         |  |   | –                   |
| From continuing and discontinued operations                                      | 8     |  |   | <b>23.5p</b>        |  |   | 32.1p               |
| <b>Diluted earnings per share (pence)</b>  |       |  |   |                     |  |   |                     |
| From continuing operations   | 8     |  |   | <b>23.2p</b>        |  |   | 31.9p               |
| From discontinued operations   | 8     |  |   | <b>0.2p</b>         |  |   | –                   |
| From continuing and discontinued operations                                      | 8     |  |   | <b>23.4p</b>        |  |   | 31.9p               |

1 Exceptional items include European exceptional and goodwill impairment.

## Analysis of operating profit

for the year ended 30 September 2013

|  | Notes | Total<br>2013<br>£m | Total<br>2012<br>£m |
|--|-------|---------------------|---------------------|
| <b>Continuing operations</b>   |       |                     |                     |
| Underlying operating profit before share of profit of associates                             |       | <b>1,255</b>        | 1,170               |
| Share of profit of associates  |       | <b>10</b>           | 8                   |
| Underlying operating profit <sup>1</sup>   |       | <b>1,265</b>        | 1,178               |
| Amortisation of intangibles arising on acquisition   |       | <b>(25)</b>         | (18)                |
| Acquisition transaction costs  |       | <b>(3)</b>          | (9)                 |
| Adjustment to contingent consideration on acquisition  |       | <b>1</b>            | –                   |
| Operating profit after costs relating to acquisitions and disposals before exceptional items |       | <b>1,238</b>        | 1,151               |
| European exceptional   | 2     | <b>(59)</b>         | (295)               |
| Goodwill impairment  | 2, 10 | <b>(377)</b>        | –                   |
| <b>Total operating profit</b>  |       | <b>802</b>          | 856                 |

1 Underlying operating profit excludes European exceptional and goodwill impairment, 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 2013

|   | Notes | 2013<br>£m  | 2012<br>£m |
|---|-------|-------------|------------|
| <b>Profit for the year</b>  |       | <b>437</b>  | 611        |
| <b>Other comprehensive income</b>                                     |       |             |            |
| <b>Items that are not reclassified subsequently to profit or loss</b> |       |             |            |
| Actuarial gains/(losses) on post-retirement employee benefits         | 23    | <b>39</b>   | (115)      |
| Tax on items relating to the components of other comprehensive income | 6     | <b>(9)</b>  | 27         |
|   |       | <b>30</b>   | (88)       |
| <b>Items that may be reclassified subsequently to profit or loss</b>  |       |             |            |
| Currency translation differences                                      |       | <b>(80)</b> | (90)       |
|   |       | <b>(80)</b> | (90)       |
| <b>Total other comprehensive income/(loss) for the year</b>           |       | <b>(50)</b> | (178)      |
| <b>Total comprehensive income for the year</b>                        |       | <b>387</b>  | 433        |
| <b>Attributable to</b>  |       |             |            |
| Equity Shareholders of the Company                                    |       | <b>379</b>  | 427        |
| Non-controlling interests   |       | <b>8</b>    | 6          |
| <b>Total comprehensive income for the year</b>                        |       | <b>387</b>  | 433        |

# Consolidated statement of changes in equity

for the year ended 30 September 2013

|   | Attributable to equity Shareholders of the Company |                             |                                  |                  |                      |                         | Non-controlling interests<br>£m | Total<br>£m |
|---|--|-----------------------------|----------------------------------|------------------|----------------------|-------------------------|---------------------------------|-------------|
|   | Share capital<br>£m                                | Share premium account<br>£m | Capital redemption reserve<br>£m | Own shares<br>£m | Other reserves<br>£m | Retained earnings<br>£m |                                 |             |
| At 1 October 2012   | 186  | 386                         | 49                               | (1)              | 4,445                | (1,834)                 | 10                              | 3,241       |
| Profit for the year   | -  | -                           | -                                | -                | -                    | 429                     | 8                               | 437         |
| Other comprehensive income  |  |                             |                                  |                  |                      |                         |                                 |             |
| Currency translation differences                                      | -  | -                           | -                                | -                | (80)                 | -                       | -                               | (80)        |
| Actuarial (losses)/gains on post-retirement employee benefits         | -  | -                           | -                                | -                | -                    | 39                      | -                               | 39          |
| Tax on items relating to the components of other comprehensive income | -  | -                           | -                                | -                | 2                    | (11)                    | -                               | (9)         |
| Total other comprehensive income                                      | -  | -                           | -                                | -                | (78)                 | 28                      | -                               | (50)        |
| Total comprehensive income for the year                               | -  | -                           | -                                | -                | (78)                 | 457                     | 8                               | 387         |
| Issue of shares (for cash)  | -  | 9                           | -                                | -                | -                    | -                       | -                               | 9           |
| Fair value of share-based payments                                    | -  | -                           | -                                | -                | 11                   | -                       | -                               | 11          |
| Tax on items taken directly to equity (note 6)                        | -  | -                           | -                                | -                | -                    | 6                       | -                               | 6           |
| Share buyback <sup>1</sup>  | (6)  | -                           | 6                                | -                | -                    | (446)                   | -                               | (446)       |
| Release of LTIP award settled by issue of new shares                  | -  | 5                           | -                                | -                | (5)                  | -                       | -                               | -           |
| Acquisition of non-controlling interest                               | -  | -                           | -                                | -                | -                    | -                       | -                               | -           |
| Other changes   | -  | -                           | -                                | -                | 1                    | (5)                     | (3)                             | (7)         |
|   | 180  | 400                         | 55                               | (1)              | 4,374                | (1,822)                 | 15                              | 3,201       |
| Dividends paid to Compass Shareholders (note 9)                       | -  | -                           | -                                | -                | -                    | (404)                   | -                               | (404)       |
| Dividends paid to non-controlling interests                           | -  | -                           | -                                | -                | -                    | -                       | (6)                             | (6)         |
| At 30 September 2013  | 180  | 400                         | 55                               | (1)              | 4,374                | (2,226)                 | 9                               | 2,791       |

|   | Share-based payment reserve<br>£m | Merger reserve<br>£m | Revaluation reserve<br>£m | Translation reserve<br>£m | Total other reserves<br>£m |
|---|-----------------------------------|----------------------|---------------------------|---------------------------|----------------------------|
| <b>Other reserves</b>   |                                   |                      |                           |                           |                            |
| At 1 October 2012   | 156                               | 4,170                | 7                         | 112                       | 4,445                      |
| Other comprehensive income  |                                   |                      |                           |                           |                            |
| Currency translation differences                                      | -                                 | -                    | -                         | (80)                      | (80)                       |
| Tax on items relating to the components of other comprehensive income | -                                 | -                    | -                         | 2                         | 2                          |
| Total other comprehensive income                                      | -                                 | -                    | -                         | (78)                      | (78)                       |
| Total comprehensive income for the year                               | -                                 | -                    | -                         | (78)                      | (78)                       |
| Fair value of share-based payments                                    | 11                                | -                    | -                         | -                         | 11                         |
| Release of LTIP award settled by issue of new shares                  | (5)                               | -                    | -                         | -                         | (5)                        |
| Other changes   | -                                 | -                    | -                         | 1                         | 1                          |
| At 30 September 2013  | 162                               | 4,170                | 7                         | 35                        | 4,374                      |

<sup>1</sup> Including stamp duty and brokers' commission.

Own shares held by the Group represent 161,622 shares in Compass Group PLC (2012: 197,475 shares). 144,413 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 2013 was £1.4 million (2012: £1.3 million). The nominal value held at 30 September 2013 was £16,162 (2012: £19,748).

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.

# Consolidated statement of changes in equity

for the year ended 30 September 2013

|   | Attributable to equity Shareholders of the Company |                             |                                  |                  |                      |                         | Non-controlling interests<br>£m | Total<br>£m |
|---|--|-----------------------------|----------------------------------|------------------|----------------------|-------------------------|---------------------------------|-------------|
|   | Share capital<br>£m                                | Share premium account<br>£m | Capital redemption reserve<br>£m | Own shares<br>£m | Other reserves<br>£m | Retained earnings<br>£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 gains/(losses) 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 6)                        | –  | –                           | –                                | –                | –                    | 7                       | –                               | 7           |
| Share buyback <sup>1</sup>  | (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 9)                       | –  | –                           | –                                | –                | –                    | (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       |

|   | Share-based payment reserve<br>£m | Merger reserve<br>£m | Revaluation reserve<br>£m | Translation reserve<br>£m | Total other reserves<br>£m |
|---|-----------------------------------|----------------------|---------------------------|---------------------------|----------------------------|
| <b>Other reserves</b>   |                                   |                      |                           |                           |                            |
| 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                      |

<sup>1</sup> Including stamp duty and brokers' commission.



# Consolidated balance sheet

as at 30 September 2013

|   | Notes | 2013<br>£m     | 2012<br>£m     |
|---|-------|----------------|----------------|
| <b>Non-current assets</b>               |       |                |                |
| Goodwill                                | 10    | 3,620          | 4,037          |
| Other intangible assets                 | 11    | 886            | 804            |
| Property, plant and equipment           | 12    | 714            | 652            |
| Interests in associates                 | 13    | 84             | 82             |
| Other investments                       | 14    | 41             | 46             |
| Trade and other receivables             | 16    | 83             | 90             |
| Deferred tax assets*                    | 6     | 265            | 296            |
| Derivative financial instruments**      | 20    | 63             | 87             |
| <b>Non-current assets</b>               |       | <b>5,756</b>   | <b>6,094</b>   |
| <b>Current assets</b>                   |       |                |                |
| Inventories                             | 17    | 255            | 261            |
| Trade and other receivables             | 16    | 2,072          | 2,114          |
| Tax recoverable*                        |       | 32             | 31             |
| Cash and cash equivalents**             | 18    | 1,006          | 728            |
| Derivative financial instruments**      | 20    | 7              | 2              |
| <b>Current assets</b>                   |       | <b>3,372</b>   | <b>3,136</b>   |
| <b>Total assets</b>                     |       | <b>9,128</b>   | <b>9,230</b>   |
| <b>Current liabilities</b>              |       |                |                |
| Short term borrowings**                 | 19    | (104)          | (77)           |
| Derivative financial instruments**      | 20    | (3)            | (3)            |
| Provisions                              | 22    | (189)          | (246)          |
| Current tax liabilities*                |       | (162)          | (147)          |
| Trade and other payables                | 21    | (3,054)        | (3,010)        |
| <b>Current liabilities</b>              |       | <b>(3,512)</b> | <b>(3,483)</b> |
| <b>Non-current liabilities</b>          |       |                |                |
| Long term borrowings**                  | 19    | (2,161)        | (1,708)        |
| Derivative financial instruments**      | 20    | (1)            | (2)            |
| Post-employment benefit obligations     | 23    | (208)          | (361)          |
| Provisions                              | 22    | (342)          | (357)          |
| Deferred tax liabilities*               | 6     | (38)           | (40)           |
| Trade and other payables                | 21    | (75)           | (38)           |
| <b>Non-current liabilities</b>          |       | <b>(2,825)</b> | <b>(2,506)</b> |
| <b>Total liabilities</b>                |       | <b>(6,337)</b> | <b>(5,989)</b> |
| <b>Net assets</b>                       |       | <b>2,791</b>   | <b>3,241</b>   |
| <b>Equity</b>                           |       |                |                |
| Share capital                           | 24    | 180            | 186            |
| Share premium account                   |       | 400            | 386            |
| Capital redemption reserve              |       | 55             | 49             |
| Less: Own shares                        |       | (1)            | (1)            |
| Other reserves                          |       | 4,374          | 4,445          |
| Retained earnings                       |       | (2,226)        | (1,834)        |
| <b>Total equity Shareholders' funds</b> |       | <b>2,782</b>   | <b>3,231</b>   |
| <b>Non-controlling interests</b>        |       | <b>9</b>       | <b>10</b>      |
| <b>Total equity</b>                     |       | <b>2,791</b>   | <b>3,241</b>   |

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

Approved by the Board of Directors on 27 November 2013 and signed on their behalf by

**Richard J Cousins**, Director  
**Dominic Blakemore**, Director

# Consolidated cash flow statement

for the year ended 30 September 2013

|   | Notes | 2013<br>£m   | 2012<br>£m   |
|---|-------|--------------|--------------|
| <b>Cash flow from operating activities</b>  |       |              |              |
| Cash generated from operations  | 27    | 1,485        | 1,393        |
| One-off employer contributions to post-employment benefit obligations   |       | (72)         | –            |
| Interest paid   |       | (71)         | (87)         |
| Premium paid on options   |       | –            | (2)          |
| Interest element of finance lease rentals   |       | (2)          | (2)          |
| Tax received  |       | 24           | 24           |
| Tax paid  |       | (257)        | (259)        |
| Net cash from/(used in) operating activities of continuing operations   |       | 1,107        | 1,067        |
| Net cash from/(used in) operating activities of discontinued operations                                       | 28    | –            | (19)         |
| <b>Net cash from/(used in) operating activities</b>   |       | <b>1,107</b> | <b>1,048</b> |
| <b>Cash flow from investing activities</b>  |       |              |              |
| Purchase of subsidiary companies and investments in associated undertakings <sup>1</sup>                      | 26    | (104)        | (221)        |
| Proceeds from sale of subsidiary companies and associated undertakings – discontinued activities <sup>1</sup> | 7     | (1)          | (3)          |
| Proceeds from sale of subsidiary companies and associated undertakings – continuing activities <sup>1</sup>   |       | 8            | 58           |
| Tax on profits from sale of subsidiary companies and associated undertakings                                  |       | –            | (21)         |
| Purchase of intangible assets   | 11    | (191)        | (154)        |
| Purchase of property, plant and equipment   | 12    | (276)        | (240)        |
| Proceeds from sale of property, plant and equipment/intangible assets   |       | 33           | 28           |
| Purchase of other investments   | 14    | –            | (3)          |
| Proceeds from sale of other investments   | 14    | 9            | –            |
| Dividends received from associated undertakings   | 13    | 6            | 8            |
| Interest received   |       | 8            | 9            |
| Net cash from/(used in) investing activities by continuing operations   |       | (508)        | (539)        |
| Net cash from/(used in) investing activities by discontinued operations                                       | 28    | –            | (24)         |
| <b>Net cash from/(used in) investing activities</b>   |       | <b>(508)</b> | <b>(563)</b> |
| <b>Cash flow from financing activities</b>  |       |              |              |
| Proceeds from issue of ordinary share capital   |       | 9            | 30           |
| Purchase of own shares <sup>2</sup>   |       | (446)        | (356)        |
| Net increase/(decrease) in borrowings   | 29    | 554          | (133)        |
| Repayment of obligations under finance leases   | 29    | (9)          | (10)         |
| Equity dividends paid   | 9     | (404)        | (378)        |
| Dividends paid to non-controlling interests   |       | (6)          | (6)          |
| <b>Net cash from/(used in) in financing activities</b>  |       | <b>(302)</b> | <b>(853)</b> |
| <b>Cash and cash equivalents</b>  |       |              |              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | 29    | <b>297</b>   | <b>(368)</b> |
| Cash and cash equivalents at beginning of the year  | 29    | 728          | 1,110        |
| Currency translation losses on cash and cash equivalents  | 29    | (19)         | (14)         |
| <b>Cash and cash equivalents at end of the year</b>   | 29    | <b>1,006</b> | <b>728</b>   |

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 2013

|   | 2013<br>£m   | 2012<br>£m   |
|---|--------------|--------------|
| <b>Net cash from operating activities of continuing operations</b>    | <b>1,107</b> | <b>1,067</b> |
| One-off employer contributions to post-employment benefit obligations | 72           | –            |
| Purchase of intangible assets   | (191)        | (154)        |
| Purchase of property, plant and equipment                             | (276)        | (240)        |
| Proceeds from sale of property, plant and equipment/intangible assets | 33           | 28           |
| Purchase of other investments   | –            | (3)          |
| Proceeds from sale of other investments                               | 9            | –            |
| Dividends received from associated undertakings                       | 6            | 8            |
| Interest received   | 8            | 9            |
| Dividends paid to non-controlling interests                           | (6)          | (6)          |
| <b>Free cash flow from continuing operations</b>                      | <b>762</b>   | <b>709</b>   |
| Add back: Impact of non-recurring tax issues                          | –            | 31           |
| Add back: Cash restructuring costs in the year                        | 72           | 20           |
| <b>Underlying free cash flow</b>                                      | <b>834</b>   | <b>760</b>   |

# Accounting policies

for the year ended 30 September 2013

## 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 2013. 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 Director's statement on page 44.

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 Amendment to IAS 1 'Presentation of financial statements – presentation of items of Other Comprehensive Income' and Amendments to IAS 12 'Income taxes: Deferred tax – recovery of underlying assets'.

#### 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 2013 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' 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' 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 15.

IFRS 12 'Disclosure of interests in other entities' 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' 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.

IAS 27 (revised) 'Separate financial statements'

IAS 28 (revised) 'Associates and joint ventures'

Amendments to IAS 32 'Financial instruments'

Amendments to IAS 36 'Impairment of assets'

Amendments to IAS 39 'Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting'

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 judgements, 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 judgement 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. The recoverable amounts of cash generating units (CGU) have been determined based on value in use calculations.

# Accounting policies

for the year ended 30 September 2013

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 10 to the financial statements.

## Post-employment benefits

Defined benefit schemes are reappraised annually by independent actuaries based on actuarial assumptions. Significant judgement is required in determining these actuarial assumptions. The principal assumptions used are described in note 23 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.

### 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.

### 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.

### 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 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 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.

**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-segmental 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, and 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 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.

# Accounting policies

for the year ended 30 September 2013

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.

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 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 2013

## 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 geographical 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 the delivery of food and support services.

| Revenue                             | Geographical segments  |                         |                                     | Total<br>£m   |
|-------------------------------------|------------------------|-------------------------|-------------------------------------|---------------|
|                                     | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m |               |
| <b>Year ended 30 September 2013</b> |                        |                         |                                     |               |
| <b>External revenue</b>             | <b>8,150</b>           | <b>6,039</b>            | <b>3,368</b>                        | <b>17,557</b> |
| <b>Year ended 30 September 2012</b> |                        |                         |                                     |               |
| External revenue                    | 7,517                  | 6,243                   | 3,145                               | 16,905        |

| Revenue                             | Sectors                      |                 |                               |                           |  | Total<br>£m   |
|-------------------------------------|------------------------------|-----------------|-------------------------------|---------------------------|--|---------------|
|                                     | Business<br>& Industry<br>£m | Education<br>£m | Healthcare<br>& Seniors<br>£m | Sports<br>& Leisure<br>£m | Defence,<br>Offshore<br>& Remote<br>£m |               |
| <b>Year ended 30 September 2013</b> |                              |                 |                               |                           |  |               |
| <b>External revenue</b>             | <b>7,121</b>                 | <b>2,820</b>    | <b>3,559</b>                  | <b>1,784</b>              | <b>2,273</b>                           | <b>17,557</b> |
| <b>Year ended 30 September 2012</b> |                              |                 |                               |                           |  |               |
| External revenue                    | 7,068                        | 2,645           | 3,243                         | 1,785                     | 2,164                                  | 16,905        |

1 There is no inter-segmental trading.

2 Continuing revenue from external customers arising in the UK, the Group's country of domicile, was £1,813 million (2012: £1,908 million). Continuing revenue from external customers arising in all foreign countries from which the Group derives revenue was £15,744 million (2012: £14,997 million).



## 1 Segmental reporting continued

|  | Geographical segments  |                         |                                     |                             | Total<br>£m |
|--|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|  | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Result</b>  |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>  |                        |                         |                                     |                             |             |
| Operating profit before associates, exceptional items and costs relating to acquisitions | 657                    | 420                     | 242                                 | (64)                        | 1,255       |
| European exceptional   | –                      | (59)                    | –                                   | –                           | (59)        |
| Goodwill impairment  | –                      | (377)                   | –                                   | –                           | (377)       |
| <b>Operating profit before associates and costs relating to acquisitions</b>             | <b>657</b>             | <b>(16)</b>             | <b>242</b>                          | <b>(64)</b>                 | <b>819</b>  |
| Less: Amortisation of intangibles arising on acquisition                                 | (10)                   | (6)                     | (9)                                 | –                           | (25)        |
| Less: Acquisition transaction costs  | (1)                    | (1)                     | (1)                                 | –                           | (3)         |
| Add: Adjustment to contingent consideration on acquisition                               | 1                      | –                       | –                                   | –                           | 1           |
| <b>Operating profit before associates – continuing</b>                                   | <b>647</b>             | <b>(23)</b>             | <b>232</b>                          | <b>(64)</b>                 | <b>792</b>  |
| Add: Share of profit of associates   | 6                      | 4                       | –                                   | –                           | 10          |
| <b>Total operating profit – continuing</b>   | <b>653</b>             | <b>(19)</b>             | <b>232</b>                          | <b>(64)</b>                 | <b>802</b>  |
| Loss on disposal of US Corrections business  |                        |                         |                                     |                             | (1)         |
| Finance income   |                        |                         |                                     |                             | 8           |
| Finance costs  |                        |                         |                                     |                             | (85)        |
| Hedge accounting ineffectiveness   |                        |                         |                                     |                             | (3)         |
| <b>Profit before tax</b>   |                        |                         |                                     |                             | <b>721</b>  |
| Income tax expense   |                        |                         |                                     |                             | (287)       |
| <b>Profit for the year from continuing operations</b>                                    |                        |                         |                                     |                             | <b>434</b>  |
| <b>Year ended 30 September 2012</b>  |                        |                         |                                     |                             |             |
| Operating profit before associates, exceptional items and costs relating to acquisitions | 598                    | 397                     | 235                                 | (60)                        | 1,170       |
| European exceptional   | –                      | (295)                   | –                                   | –                           | (295)       |
| <b>Operating profit before associates and costs relating to acquisitions</b>             | <b>598</b>             | <b>102</b>              | <b>235</b>                          | <b>(60)</b>                 | <b>875</b>  |
| 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)                                 | –                           | –           |
| <b>Operating profit before associates – continuing</b>                                   | <b>594</b>             | <b>92</b>               | <b>225</b>                          | <b>(63)</b>                 | <b>848</b>  |
| Add: Share of profit of associates   | 5                      | 3                       | –                                   | –                           | 8           |
| <b>Total operating profit – continuing</b>   | <b>599</b>             | <b>95</b>               | <b>225</b>                          | <b>(63)</b>                 | <b>856</b>  |
| 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           |
| <b>Profit before tax</b>   |                        |                         |                                     |                             | <b>789</b>  |
| Income tax expense   |                        |                         |                                     |                             | (178)       |
| <b>Profit for the year from continuing operations</b>                                    |                        |                         |                                     |                             | <b>611</b>  |

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 1 Segmental reporting continued

|                                 | Geographical segments  |                         |                                     | Unallocated                 |                                   |                   | Total<br>£m  |
|---------------------------------|------------------------|-------------------------|-------------------------------------|-----------------------------|-----------------------------------|-------------------|--------------|
|                                 | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m | Current and<br>deferred tax<br>£m | Net<br>debt<br>£m |              |
| <b>Balance sheet</b>            |                        |                         |                                     |                             |                                   |                   |              |
| <b>As at 30 September 2013</b>  |                        |                         |                                     |                             |                                   |                   |              |
| Total assets                    | 3,188                  | 3,242                   | 1,317                               | 8                           | 297                               | 1,076             | 9,128        |
| Total liabilities               | (1,459)                | (1,456)                 | (705)                               | (248)                       | (200)                             | (2,269)           | (6,337)      |
| <b>Net assets/(liabilities)</b> | <b>1,729</b>           | <b>1,786</b>            | <b>612</b>                          | <b>(240)</b>                | <b>97</b>                         | <b>(1,193)</b>    | <b>2,791</b> |
| <i>Total assets include:</i>    |                        |                         |                                     |                             |                                   |                   |              |
| <b>Interests in associates</b>  | <b>51</b>              | <b>33</b>               | <b>-</b>                            | <b>-</b>                    | <b>-</b>                          | <b>-</b>          | <b>84</b>    |
| <b>Non-current assets</b>       | <b>2,359</b>           | <b>2,371</b>            | <b>693</b>                          | <b>5</b>                    | <b>265</b>                        | <b>53</b>         | <b>5,746</b> |
| <b>As at 30 September 2012</b>  |                        |                         |                                     |                             |                                   |                   |              |
| 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)      |
| <b>Net assets/(liabilities)</b> | <b>1,667</b>           | <b>2,025</b>            | <b>622</b>                          | <b>(240)</b>                | <b>140</b>                        | <b>(973)</b>      | <b>3,241</b> |
| <i>Total assets include:</i>    |                        |                         |                                     |                             |                                   |                   |              |
| <b>Interests in associates</b>  | <b>46</b>              | <b>36</b>               | <b>-</b>                            | <b>-</b>                    | <b>-</b>                          | <b>-</b>          | <b>82</b>    |
| <b>Non-current assets</b>       | <b>2,226</b>           | <b>2,782</b>            | <b>699</b>                          | <b>4</b>                    | <b>296</b>                        | <b>87</b>         | <b>6,094</b> |

1 Non-current assets located in the UK, the Group's country of domicile, were £1,730 million (2012: £2,000 million). Non-current assets located in all foreign countries in which the Group holds assets were £4,016 million (2012: £4,094 million).

## 1 Segmental reporting continued

|   | Geographical segments  |                         |                                     |                             | Total<br>£m |
|---|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|   | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Additions to other intangible assets</b>       |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>               |                        |                         |                                     |                             |             |
| <b>Total additions to other intangible assets</b> | <b>158</b>             | <b>24</b>               | <b>9</b>                            | <b>–</b>                    | <b>191</b>  |
| <b>Year ended 30 September 2012</b>               |                        |                         |                                     |                             |             |
| Total additions to other intangible assets        | 119                    | 29                      | 5                                   | 1                           | 154         |

|   | Geographical segments  |                         |                                     |                             | Total<br>£m |
|---|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|   | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Additions to property, plant and equipment</b>                   |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>                                 |                        |                         |                                     |                             |             |
| <b>Total additions to property, plant and equipment<sup>1</sup></b> | <b>85</b>              | <b>82</b>               | <b>111</b>                          | <b>–</b>                    | <b>278</b>  |
| <b>Year ended 30 September 2012</b>                                 |                        |                         |                                     |                             |             |
| Total additions to property, plant and equipment <sup>1</sup>       | 97                     | 80                      | 63                                  | –                           | 240         |

|  | Geographical segments  |                         |                                     |                             | Total<br>£m |
|--|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|  | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Amortisation of other intangible assets</b>                   |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>                              |                        |                         |                                     |                             |             |
| <b>Total amortisation of other intangible assets<sup>2</sup></b> | <b>104</b>             | <b>25</b>               | <b>13</b>                           | <b>1</b>                    | <b>143</b>  |
| <b>Year ended 30 September 2012</b>                              |                        |                         |                                     |                             |             |
| Total amortisation of other intangible assets <sup>2</sup>       | 90                     | 33                      | 9                                   | 2                           | 134         |

|  | Geographical segments  |                         |                                     |                             | Total<br>£m |
|--|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|  | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Depreciation of property, plant and equipment</b>       |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>                        |                        |                         |                                     |                             |             |
| <b>Total depreciation of property, plant and equipment</b> | <b>71</b>              | <b>73</b>               | <b>37</b>                           | <b>–</b>                    | <b>181</b>  |
| <b>Year ended 30 September 2012</b>                        |                        |                         |                                     |                             |             |
| Total depreciation of property, plant and equipment        | 67                     | 103                     | 33                                  | –                           | 203         |

|  | Geographical segments  |                         |                                     |                             | Total<br>£m |
|--|------------------------|-------------------------|-------------------------------------|-----------------------------|-------------|
|  | North<br>America<br>£m | Europe &<br>Japan<br>£m | Fast<br>Growing &<br>Emerging<br>£m | Central<br>activities<br>£m |             |
| <b>Other non-cash expenses</b>                   |                        |                         |                                     |                             |             |
| <b>Year ended 30 September 2013</b>              |                        |                         |                                     |                             |             |
| <b>Total other non-cash expenses<sup>3</sup></b> | <b>3</b>               | <b>3</b>                | <b>2</b>                            | <b>3</b>                    | <b>11</b>   |
| <b>Year ended 30 September 2012</b>              |                        |                         |                                     |                             |             |
| Total other non-cash expenses <sup>3</sup>       | 3                      | 3                       | 2                                   | 3                           | 11          |

1 Includes leased assets of £2 million (2012: £4 million) and creditor for capital creditors of £2 million (2012: £2 million).

2 Including the amortisation of intangibles arising on acquisition.

3 Other non-cash expenses are mainly comprised of share-based payments.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 2 Operating costs

### Total operating costs

|   | Before<br>exceptional<br>items<br>2013<br>£m | Exceptional<br>items<br>2013 <sup>1</sup><br>£m | Total<br>2013<br>£m | Before<br>exceptional<br>items<br>2012<br>£m | Exceptional<br>items<br>2012 <sup>1</sup><br>£m | Total<br>2012<br>£m |
|---|--|---|---------------------|--|---|---------------------|
| <b>Operating costs</b>  |  |   |                     |  |   |                     |
| <i>Cost of food and materials:</i>                                  |  |   |                     |  |   |                     |
| Cost of inventories consumed  | 5,289  | -   | 5,289               | 5,232  | -   | 5,232               |
| <i>Labour costs:</i>  |  |   |                     |  |   |                     |
| Employee remuneration (note 3)                                      | 8,072  | 59  | 8,131               | 7,710  | 100   | 7,810               |
| <i>Overheads:</i>   |  |   |                     |  |   |                     |
| Depreciation – owned property, plant and equipment                  | 176  | -   | 176                 | 169  | 26  | 195                 |
| Depreciation – leased property, plant and equipment                 | 5  | -   | 5                   | 8  | -   | 8                   |
| Amortisation – owned intangible assets                              | 118  | -   | 118                 | 107  | 9   | 116                 |
| Impairment of goodwill in subsidiaries                              | -  | 377   | 377                 | -  | -   | -                   |
| Property lease rentals  | 88   | -   | 88                  | 85   | -   | 85                  |
| Other occupancy rentals – minimum guaranteed rent                   | 74   | -   | 74                  | 77   | -   | 77                  |
| Other occupancy rentals – rent in excess of minimum guaranteed rent | 13   | -   | 13                  | 11   | -   | 11                  |
| Other asset rentals   | 88   | -   | 88                  | 78   | -   | 78                  |
| Audit and non-audit services (see below)                            | 8  | -   | 8                   | 7  | -   | 7                   |
| Other expenses  | 2,371  | -   | 2,371               | 2,251  | 160   | 2,411               |
| Operating costs before costs relating to acquisitions               | 16,302                                       | 436   | 16,738              | 15,735                                       | 295   | 16,030              |
| Amortisation – intangible assets arising on acquisition             | 25   | -   | 25                  | 18   | -   | 18                  |
| Acquisition transaction costs                                       | 3  | -   | 3                   | 9  | -   | 9                   |
| Adjustment to contingent consideration on acquisition               | (1)  | -   | (1)                 | -  | -   | -                   |
| Total continuing operations   | 16,329                                       | 436   | 16,765              | 15,762                                       | 295   | 16,057              |

1 Impairment of goodwill recorded in income statement of £377 million (2012: £2 million included in 'Other expenses' related to European exceptional).

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Audit and non-audit services</b>  |            |            |
| <b>Audit services</b>  |            |            |
| 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 their associates for other services to the Group:      |            |            |
| The audit of the Company's subsidiaries and joint ventures pursuant to legislation               | 3.9        | 4.0        |
| Total audit fees   | 4.3        | 4.4        |
| <b>Non-audit services</b>  |            |            |
| Audit related assurance  | 0.2        | 0.2        |
| Taxation compliance  | 0.2        | 0.3        |
| Other tax advisory   | 2.7        | 1.4        |
| Corporate finance services   | 0.1        | 0.1        |
| Services relating to information technology  | 0.1        | 0.2        |
| Other services   | 0.2        | 0.2        |
| Total non-audit fees   | 3.5        | 2.4        |
| <b>Total audit and non-audit services</b>  |            |            |
| Total audit and non-audit services   | 7.8        | 6.8        |

## 2 Operating costs continued

### Exceptional items

In the years ended 30 September 2013 and 2012, the following exceptional items were recorded:

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>European exceptional</b>                           |            |            |
| Accelerated efficiencies                              | 59         | 100        |
| Asset write down                                      | –          | 35         |
| Disposals   | –          | 40         |
| Provisions for receivables/other operating provisions | –          | 120        |
| Total European exceptional                            | 59         | 295        |
| Goodwill impairment (note 10)                         | 377        | –          |
| Total exceptional items                               | 436        | 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 took a £295 million exceptional cost of which £100 million was cash and £195 million non-cash. The £195 million mainly related 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.

In 2013, we have continued with these actions and have taken an additional £59 million exceptional cost to continue to improve the operational efficiency of our labour base in Europe.

## 3 Employees

### Average number of employees, including Directors and part-time employees

|                             | 2013    | 2012    |
|-----------------------------|---------|---------|
| North America               | 205,969 | 194,595 |
| Europe & Japan              | 153,915 | 167,323 |
| Fast Growing & Emerging     | 146,815 | 146,796 |
| Total continuing operations | 506,699 | 508,714 |

### Aggregate remuneration of all employees including Directors

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| Wages and salaries                         | 6,713      | 6,468      |
| Social security costs                      | 1,304      | 1,237      |
| Share-based payments                       | 13         | 11         |
| Pension costs – defined contribution plans | 80         | 77         |
| Pension costs – defined benefit plans      | 21         | 17         |
| Total continuing operations                | 8,131      | 7,810      |

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge within finance costs of £11 million (2012: net charge of £15 million).

The remuneration of Directors and key management personnel<sup>1</sup> 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 55 to 70 and forms part of these accounts.

### Remuneration of key management personnel

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| Salaries                               | 5.2        | 7.7        |
| Other short term employee remuneration | 5.8        | 6.7        |
| Share-based payments                   | 4.3        | 5.3        |
| Pension salary supplement              | 1.5        | 2.3        |
| Total                                  | 16.8       | 22.0       |

<sup>1</sup> Key management personnel is defined as the Board of Directors and four additional individuals making up the Executive Board. In 2012, 20 individuals were included in the table which comprised the Board of Directors and 10 additional individuals who were part of the Executive Committee.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 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.

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Finance income and costs</b>  |            |            |
| <b>Finance income</b>  |            |            |
| Bank interest  | 8          | 9          |
| Total finance income   | 8          | 9          |
| <b>Finance costs</b>   |            |            |
| Interest on bank loans and overdrafts  | 8          | 6          |
| Interest on other loans  | 60         | 69         |
| Finance lease interest   | 2          | 2          |
| Interest on bank loans, overdrafts, other loans and finance leases                             | 70         | 77         |
| Unwinding of discount on provisions  | 4          | 2          |
| Amount charged to pension scheme liabilities net of expected return on scheme assets (note 23) | 11         | 15         |
| Total finance costs  | 85         | 94         |
| <b>Analysis of finance costs by defined IAS 39<sup>1</sup> category</b>                        |            |            |
| Fair value through profit or loss  | 2          | 3          |
| Derivatives in a fair value hedge relationship   | (24)       | (31)       |
| Derivatives in a net investment hedge relationship   | 5          | 5          |
| Other financial liabilities  | 87         | 100        |
| Interest on bank loans, overdrafts, other loans and finance leases                             | 70         | 77         |
| Fair value through profit or loss (unwinding of discount on provisions)                        | 4          | 2          |
| Outside of the scope of IAS 39 (net pension scheme charge)                                     | 11         | 15         |
| Total finance costs  | 85         | 94         |

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 re-measured 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.

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Financing related (gains)/losses</b>   |            |            |
| <b>Hedge accounting ineffectiveness</b>   |            |            |
| Unrealised net (gains)/losses on unhedged derivative financial instruments <sup>1</sup>                         | -          | 1          |
| Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge <sup>2</sup> | 47         | (14)       |
| Unrealised net (gains)/losses on the hedged item in a designated fair value hedge                               | (44)       | 19         |
| Total hedge accounting ineffectiveness (gains)/losses   | 3          | 6          |
| <b>Change in the fair value of investments and non-controlling interest put options</b>                         |            |            |
| Change in the fair value of investments <sup>1, 3</sup>   | -          | (1)        |

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 23.

## 5 Disposal of US Corrections business

On 29 March 2012, the Group disposed of the assets related to its food support services business in correctional 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, and subsequent adjustments from the finalisation of liabilities related to the disposal as set out in the table below, are included in profit from continuing operations for the years ended 30 September 2013 and 2012. The assets and results of operations of the US Corrections business were included in the North America and the Defence, Offshore & Remote segments.

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>(Loss)/gain on disposal of the US Corrections business</b> |            |            |
| (Loss)/gain on disposal of the US Corrections business        | (1)        | 23         |
| Tax on (loss)/gain on disposal of US Corrections business     | -          | (10)       |
| <b>Net (loss)/gain on disposal of US Corrections business</b> | <b>(1)</b> | <b>13</b>  |

## 6 Tax

|  | Before<br>exceptional<br>items<br>2013<br>£m | Exceptional<br>items<br>2013<br>£m | Total<br>2013<br>£m | Before<br>exceptional<br>items<br>2012<br>£m | Exceptional<br>items<br>2012<br>£m | Total<br>2012<br>£m |
|--|--|------------------------------------|---------------------|--|------------------------------------|---------------------|
| <b>Recognised in the income statement:</b>   |  |                                    |                     |  |                                    |                     |
| <b>Income tax expense on continuing operations</b>   |  |                                    |                     |  |                                    |                     |
| <b>Current tax</b>   |  |                                    |                     |  |                                    |                     |
| Current year   | 299  | (26)                               | 273                 | 295  | (24)                               | 271                 |
| Adjustment in respect of prior years   | (3)  | -                                  | (3)                 | (21)   | -                                  | (21)                |
| Current tax expense/(credit)   | 296  | (26)                               | 270                 | 274  | (24)                               | 250                 |
| <b>Deferred tax</b>  |  |                                    |                     |  |                                    |                     |
| Current year   | 1  | 10                                 | 11                  | (2)  | (48)                               | (50)                |
| Impact of changes in statutory tax rates   | 5  | -                                  | 5                   | 6  | -                                  | 6                   |
| Adjustment in respect of prior years   | (1)  | -                                  | (1)                 | 9  | -                                  | 9                   |
| Deferred tax expense/(credit)  | 5  | 10                                 | 15                  | 13   | (48)                               | (35)                |
| Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years | 301  | (16)                               | 285                 | 287  | (72)                               | 215                 |
| Current tax credit on exceptional recognition of tax losses arising in prior years                                 | -  | -                                  | -                   | (19)   | -                                  | (19)                |
| Deferred tax expense/(credit) on exceptional recognition of tax losses arising in prior years                      | 2  | -                                  | 2                   | (18)   | -                                  | (18)                |
| Total tax expense/(credit) on exceptional recognition of tax losses arising in prior years                         | 2  | -                                  | 2                   | (37)   | -                                  | (37)                |
| <b>Total income tax</b>  |  |                                    |                     |  |                                    |                     |
| Income tax expense/(credit) on continuing operations   | 303  | (16)                               | 287                 | 250  | (72)                               | 178                 |

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 23.5% (2012: 25%). 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 24% to 23% from 1 April 2013, 21% from 1 April 2014, and 20% from 1 April 2015. 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.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 6 Tax continued

|  | Before<br>exceptional<br>items<br>2013<br>£m | Exceptional<br>items<br>2013<br>£m | Total<br>2013<br>£m | Before<br>exceptional<br>items<br>2012<br>£m | Exceptional<br>items<br>2012<br>£m | Total<br>2012<br>£m |
|--|--|------------------------------------|---------------------|--|------------------------------------|---------------------|
| Profit before tax from continuing operations   | 1,157  | (436)                              | 721                 | 1,084  | (295)                              | 789                 |
| Notional income tax expense at the effective UK statutory rate of 23.5% (2012: 25%) on profit before tax           | 272  | (103)                              | 169                 | 271  | (74)                               | 197                 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions                                     | 99   | (3)                                | 96                  | 88   | (10)                               | 78                  |
| Impact of changes in statutory tax rates   | 5  | –                                  | 5                   | 6  | –                                  | 6                   |
| Permanent differences  | (71)   | 90                                 | 19                  | (63)   | 7                                  | (56)                |
| Impact of share-based payments   | (1)  | –                                  | (1)                 | (1)  | –                                  | (1)                 |
| Tax on profit of associates  | (1)  | –                                  | (1)                 | (1)  | –                                  | (1)                 |
| Losses and other temporary differences not previously recognised   | (1)  | –                                  | (1)                 | (6)  | 1                                  | (5)                 |
| Unrelieved current year tax losses   | 3  | –                                  | 3                   | 5  | 4                                  | 9                   |
| Prior year items   | (4)  | –                                  | (4)                 | (12)   | –                                  | (12)                |
| Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years | 301  | (16)                               | 285                 | 287  | (72)                               | 215                 |
| Exceptional recognition of tax losses arising in prior years   | 2  | –                                  | 2                   | (37)   | –                                  | (37)                |
| Income tax expense on continuing operations  | 303  | (16)                               | 287                 | 250  | (72)                               | 178                 |

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Tax (charged)/credited to other comprehensive income</b>   |            |            |
| Current and deferred tax (charges)/credits on actuarial and other movements on post-employment benefits | (11)       | 28         |
| Current and deferred tax (charges)/credits on foreign exchange movements                                | 2          | (1)        |
| Tax (charge)/credit on items recognised in other comprehensive income                                   | (9)        | 27         |

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Tax credited to equity</b>                                       |            |            |
| Current and deferred tax credits in respect of share-based payments | 6          | 7          |
| Tax credit on items recognised in equity                            | 6          | 7          |

| <b>Movement in net deferred tax asset/(liability)</b> | Tax<br>depreciation<br>£m | Intangibles<br>£m | Pensions<br>and post-<br>employment<br>benefits<br>£m | Tax losses<br>£m | Self-funded<br>insurance<br>provisions<br>£m | Net<br>short term<br>temporary<br>differences<br>£m | Total<br>£m |
|---|---------------------------|-------------------|---|------------------|--|---|-------------|
| 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         |
| At 1 October 2012                                     | 12                        | (176)             | 160   | 21               | 58   | 181   | 256         |
| (Charge)/credit to income                             | (4)                       | (10)              | (13)  | (1)              | 6  | 5   | (17)        |
| (Charge)/credit to equity/other comprehensive income  | –                         | –                 | (11)  | 1                | –  | 3   | (7)         |
| Business acquisitions                                 | (1)                       | (1)               | –   | –                | –  | –   | (2)         |
| Other movements                                       | 2                         | –                 | –   | –                | –  | (3)   | (1)         |
| Exchange adjustment                                   | –                         | 4                 | –   | –                | –  | (6)   | (2)         |
| At 30 September 2013                                  | 9                         | (183)             | 136   | 21               | 64   | 180   | 227         |

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



## 6 Tax continued

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

|                                    | 2013<br>£m | 2012<br>£m |
|------------------------------------|------------|------------|
| <b>Net deferred tax balance</b>    |            |            |
| Deferred tax assets                | 265        | 296        |
| Deferred tax liabilities           | (38)       | (40)       |
| Net deferred tax asset/(liability) | 227        | 256        |

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £50 million (2012: £46 million). Of the total, tax losses of £33 million will expire at various dates between 2013 and 2022. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

Overseas dividends received by UK resident group companies 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 £401 million (2012: £325 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.

## 7 Discontinued operations

### Year ended 30 September 2013

The profit for the year from discontinued operations was £3 million (2012: £nil).

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Financial performance of discontinued operations</b>                                 |            |            |
| <b>Trading activities of discontinued operations</b>                                    |            |            |
| Operating costs <sup>1</sup>  | –          | (1)        |
| Loss before tax   | –          | (1)        |
| Income tax credit <sup>2</sup>  | 2          | –          |
| Profit/(loss) after tax   | 2          | (1)        |
| <b>Disposal of net assets and other adjustments relating to discontinued operations</b> |            |            |
| Income tax credit <sup>2</sup>  | 1          | 1          |
| Total profit after tax  | 1          | 1          |
| <b>Profit for the year from discontinued operations</b>                                 |            |            |
| Profit for the year from discontinued operations  | 3          | –          |

1 The trading activity in the year ended 30 September 2012 relates to the final run-off activity in businesses earmarked for closure.

2 Release of surplus tax provisions.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 7 Discontinued operations continued

|  | 2013<br>£m         | 2012<br>£m         |
|--|--------------------|--------------------|
| <b>Income tax from discontinued operations</b>   |                    |                    |
| <b>Income tax on trading activities of discontinued operations and on disposal of net assets and other adjustments relating to discontinued operations</b> |                    |                    |
| Current tax  | 3                  | 3                  |
| Deferred tax   | –                  | (2)                |
| Income tax credit on discontinued operations   | 3                  | 1                  |
|  |                    |                    |
| <b>Net assets disposed and disposal proceeds</b>   | <b>2013<br/>£m</b> | <b>2012<br/>£m</b> |
| Decrease in retained liabilities <sup>1</sup>  | (1)                | (3)                |
| Consideration, net of costs  | (1)                | (3)                |
| Cash outflow from disposals  | (1)                | (3)                |

<sup>1</sup> Includes the utilisation of disposal provisions of £1 million in the year ended 30 September 2013 (2012: £3 million).

## 8 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, goodwill impairment, 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, 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.

|   | 2013<br>Attributable<br>profit<br>£m | 2012<br>Attributable<br>profit<br>£m |
|---|--------------------------------------|--------------------------------------|
| <b>Attributable profit</b>  |                                      |                                      |
| Profit for the year attributable to equity Shareholders of the Company                                  | 429                                  | 605                                  |
| Less: Profit for the year from discontinued operations  | (3)                                  | –                                    |
| Attributable profit for the year from continuing operations   | 426                                  | 605                                  |
| Add back: Amortisation of intangible assets arising on acquisition (net of tax)                         | 18                                   | 14                                   |
| Add back: Acquisition transaction costs (net of tax)  | 3                                    | 8                                    |
| Less: Adjustment to contingent consideration on acquisition (net of tax)                                | (1)                                  | –                                    |
| Add back: Change in the fair value of investments and non-controlling interest put options (net of tax) | –                                    | (1)                                  |
| Add back: European exceptional (net of tax)   | 43                                   | 223                                  |
| Add back: Goodwill impairment   | 377                                  | –                                    |
| Add back: Loss/(gain) on disposal of US Corrections business (net of tax)                               | 1                                    | (13)                                 |
| Add back: Loss from hedge accounting ineffectiveness (net of tax)                                       | 2                                    | 4                                    |
| Add back: Exceptional recognition of tax losses   | 2                                    | (37)                                 |
| Underlying attributable profit for the year from continuing operations                                  | 871                                  | 803                                  |

## 8 Earnings per share continued

|   | 2013<br>Ordinary<br>shares of<br>10p each<br>millions | 2012<br>Ordinary<br>shares of<br>10p each<br>millions |
|---|---|---|
| <b>Average number of shares (millions of ordinary shares of 10p each)</b> |   |   |
| Average number of shares for basic earnings per share                     | 1,827   | 1,884   |
| Dilutive share options  | 8   | 10  |
| Average number of shares for diluted earnings per share                   | 1,835   | 1,894   |
|   | 2013<br>Earnings<br>per share<br>pence                | 2012<br>Earnings<br>per share<br>pence                |
| <b>Basic earnings per share (pence)</b>                                   |   |   |
| From continuing and discontinued operations                               | 23.5  | 32.1  |
| From discontinued operations  | (0.2)   | –   |
| From continuing operations  | 23.3  | 32.1  |
| Amortisation of intangible assets arising on acquisition (net of tax)     | 1.0   | 0.8   |
| Acquisition transaction costs (net of tax)                                | 0.2   | 0.4   |
| Adjustment to contingent consideration on acquisition (net of tax)        | (0.1)   | –   |
| European exceptional (net of tax)   | 2.4   | 11.8  |
| Goodwill impairment   | 20.6  |   |
| Loss/(gain) on disposal of US Corrections business (net of tax)           | 0.1   | (0.7)   |
| Hedge accounting ineffectiveness (net of tax)                             | 0.1   | 0.2   |
| Exceptional recognition of tax losses                                     | 0.1   | (2.0)   |
| From underlying continuing operations                                     | 47.7  | 42.6  |
| <b>Diluted earnings per share (pence)</b>                                 |   |   |
| From continuing and discontinued operations                               | 23.4  | 31.9  |
| From discontinued operations  | (0.2)   | –   |
| From continuing operations  | 23.2  | 31.9  |
| Amortisation of intangible assets arising on acquisition (net of tax)     | 1.0   | 0.8   |
| Acquisition transaction costs (net of tax)                                | 0.2   | 0.4   |
| Adjustment to contingent consideration on acquisition (net of tax)        | (0.1)   | –   |
| European exceptional (net of tax)   | 2.4   | 11.8  |
| Goodwill impairment   | 20.5  | –   |
| Loss/(gain) on disposal of US Corrections business (net of tax)           | 0.1   | (0.7)   |
| Hedge accounting ineffectiveness (net of tax)                             | 0.1   | 0.2   |
| Exceptional recognition of tax losses                                     | 0.1   | (2.0)   |
| From underlying continuing operations                                     | 47.5  | 42.4  |

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## 9 Dividends

A final dividend in respect of 2013 of 16.0 pence per share, £289 million in aggregate<sup>1</sup>, has been proposed, giving a total dividend in respect of 2013 of 24.0 pence per share (2012: 21.3 pence per share). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting on 6 February 2014 and has not been included as a liability in these financial statements.

|  | 2013                      |     | 2012                      |     |
|--|---------------------------|-----|---------------------------|-----|
|  | Dividends per share pence | £m  | Dividends per share pence | £m  |
| <b>Dividends on ordinary shares of 10p each</b>                                    |                           |     |                           |     |
| <i>Amounts recognised as distributions to equity Shareholders during the year:</i> |                           |     |                           |     |
| Final dividend for the prior year  | 14.1p                     | 259 | 12.8p                     | 243 |
| Interim dividend for the current year  | 8.0p                      | 145 | 7.2p                      | 135 |
| Total dividends  | 22.1p                     | 404 | 20.0p                     | 378 |

<sup>1</sup> Based on the number of shares in issue at 30 September 2013 (1,804 million shares).

## 10 Goodwill

During the year the Group made a number of acquisitions. See note 26 for more details.

|  | £m    |
|--|-------|
| <b>Goodwill</b>                          |       |
| <b>Cost</b>                              |       |
| At 1 October 2011                        | 4,172 |
| Additions                                | 91    |
| Business disposals – other activities    | (22)  |
| Currency adjustment                      | (90)  |
| At 30 September 2012                     | 4,151 |
| At 1 October 2012                        | 4,151 |
| Additions                                | 39    |
| Business disposals – other activities    | (5)   |
| Currency adjustment                      | (77)  |
| At 30 September 2013                     | 4,108 |
| <b>Impairment</b>                        |       |
| At 1 October 2011                        | 112   |
| Impairment charge recognised in the year | 2     |
| At 30 September 2012                     | 114   |
| At 1 October 2012                        | 114   |
| Business disposals – other activities    | (3)   |
| Impairment charge recognised in the year | 377   |
| At 30 September 2013                     | 488   |
| <b>Net book value</b>                    |       |
| At 30 September 2012                     | 4,037 |
| At 30 September 2013                     | 3,620 |

## 10 Goodwill continued

Goodwill acquired in a business combination is allocated at acquisition to each CGU that is expected to benefit from that business combination. A summary of goodwill allocation by business segment is shown below:

| <b>Goodwill by business segment</b> | <b>2013<br/>£m</b> | 2012<br>£m |
|-------------------------------------|--------------------|------------|
| USA                                 | <b>1,202</b>       | 1,174      |
| Rest of North America               | <b>151</b>         | 155        |
| Total North America                 | <b>1,353</b>       | 1,329      |
| UK                                  | <b>1,426</b>       | 1,803      |
| Rest of Europe & Japan              | <b>460</b>         | 485        |
| Total Europe & Japan                | <b>1,886</b>       | 2,288      |
| Fast Growing & Emerging             | <b>381</b>         | 420        |
| Total                               | <b>3,620</b>       | 4,037      |

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.

| <b>Growth and discount rates</b> | 2013                        |                              | 2012                        |                              |
|----------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
|                                  | Residual<br>growth<br>rates | Pre-tax<br>discount<br>rates | Residual<br>growth<br>rates | Pre-tax<br>discount<br>rates |
| USA                              | <b>2.2%</b>                 | <b>11.4%</b>                 | 2.2%                        | 9.9%                         |
| Rest of North America            | <b>2.0%</b>                 | <b>10.4%</b>                 | 2.2%                        | 8.8%                         |
| UK                               | <b>2.0%</b>                 | <b>10.6%</b>                 | 2.3%                        | 9.0%                         |
| Rest of Europe & Japan           | <b>0.9-3.1%</b>             | <b>8.9-15.0%</b>             | 0.3-3.0%                    | 7.3-16.8%                    |
| Fast Growing & Emerging          | <b>2.1-7.8%</b>             | <b>9.7-18.3%</b>             | 2.2-7.9%                    | 8.5-18.8%                    |

During the year ended 30 September 2013, a goodwill impairment charge of £377 million was reported in relation to the Group's business in the UK. The impairment charge was primarily driven by an increase in the discount rate applied as a result of increases in UK gilt rates and reflecting the normal year end review of long term growth expectations. Given the current economic climate, a sensitivity analysis has been performed in assessing recoverable amounts of goodwill for all CGUs. This has been based on changes in key assumptions considered to be reasonably possible by management. There are no other CGUs that are sensitive to reasonably possible changes in key assumptions.

The changes set out below to the assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the impairment loss recognised in the year ended 30 September 2013:

| <b>Growth and discount rates</b> | 2013                       |                            |
|----------------------------------|----------------------------|----------------------------|
|                                  | Increase<br>by 0.2pp<br>£m | Decrease<br>by 0.2pp<br>£m |
| Pre-tax discount rate            | <b>(34)</b>                | <b>35</b>                  |
| Residual growth rates            | <b>26</b>                  | <b>(24)</b>                |

In 2012, for the UK, to which goodwill of £1,803 million was allocated, an increase in the discount rate of 0.2 percentage points (pp) or a decrease in the long term growth rate of 0.2pp would have eliminated the headroom of approximately £46 million under each scenario.

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## 11 Other intangible assets

| Other intangible assets | Computer software<br>£m | Contract and other intangibles <sup>1</sup> |             | Total<br>£m |
|-------------------------|-------------------------|---|-------------|-------------|
|                         |                         | Arising on acquisition<br>£m                | Other<br>£m |             |
| <b>Cost</b>             |                         |   |             |             |
| 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       |
| At 1 October 2012       | 222                     | 354   | 744         | 1,320       |
| Additions               | 21                      | –   | 170         | 191         |
| Disposals               | (15)                    | (1)   | (67)        | (83)        |
| Business acquisitions   | –                       | 68  | –           | 68          |
| Business disposals      | (3)                     | (2)   | –           | (5)         |
| Reclassified            | 3                       | (2)   | (1)         | –           |
| Currency adjustment     | (4)                     | (16)  | (4)         | (24)        |
| At 30 September 2013    | 224                     | 401   | 842         | 1,467       |
| <b>Amortisation</b>     |                         |   |             |             |
| 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         |
| At 1 October 2012       | 152                     | 43  | 321         | 516         |
| Charge for the year     | 21                      | 25  | 97          | 143         |
| Disposals               | (15)                    | –   | (54)        | (69)        |
| Business disposals      | (2)                     | –   | –           | (2)         |
| Reclassified            | 2                       | (2)   | –           | –           |
| Currency adjustment     | (3)                     | (4)   | –           | (7)         |
| At 30 September 2013    | 155                     | 62  | 364         | 581         |
| <b>Net book value</b>   |                         |   |             |             |
| At 30 September 2012    | 70                      | 311   | 423         | 804         |
| At 30 September 2013    | 69                      | 339   | 478         | 886         |

1 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 the Group fund these purchases.

## 12 Property, plant and equipment

|                                       | Land and buildings<br>£m | Plant and machinery<br>£m | Fixtures and fittings<br>£m | Total<br>£m |
|---------------------------------------|--------------------------|---------------------------|-----------------------------|-------------|
| <b>Property, plant and equipment</b>  |                          |                           |                             |             |
| <b>Cost</b>                           |                          |                           |                             |             |
| At 1 October 2011                     | 290                      | 950                       | 510                         | 1,750       |
| Additions <sup>1</sup>                | 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       |
| At 1 October 2012                     | 301                      | 994                       | 519                         | 1,814       |
| Additions <sup>1</sup>                | 86                       | 125                       | 67                          | 278         |
| Disposals                             | (12)                     | (75)                      | (44)                        | (131)       |
| Business disposals – other activities | (2)                      | (4)                       | (3)                         | (9)         |
| Business acquisitions                 | 1                        | 5                         | –                           | 6           |
| Reclassified                          | 4                        | (5)                       | 4                           | 3           |
| Currency adjustment                   | (18)                     | (11)                      | (7)                         | (36)        |
| At 30 September 2013                  | 360                      | 1,029                     | 536                         | 1,925       |
| <b>Depreciation</b>                   |                          |                           |                             |             |
| 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       |
| At 1 October 2012                     | 174                      | 632                       | 356                         | 1,162       |
| Charge for the year                   | 21                       | 112                       | 48                          | 181         |
| Disposals                             | (9)                      | (63)                      | (38)                        | (110)       |
| Business disposals – other activities | (2)                      | (3)                       | (3)                         | (8)         |
| Reclassified                          | –                        | 3                         | 2                           | 5           |
| Currency adjustment                   | (9)                      | (6)                       | (4)                         | (19)        |
| At 30 September 2013                  | 175                      | 675                       | 361                         | 1,211       |
| <b>Net book value</b>                 |                          |                           |                             |             |
| At 30 September 2012                  | 127                      | 362                       | 163                         | 652         |
| At 30 September 2013                  | 185                      | 354                       | 175                         | 714         |

1 Includes leased assets of £2 million (2012: £4 million).

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

|  | Land and buildings<br>£m | Plant and machinery<br>£m | Fixtures and fittings<br>£m | Total<br>£m |
|--|--------------------------|---------------------------|-----------------------------|-------------|
| <b>Property, plant and equipment held under finance leases</b> |                          |                           |                             |             |
| At 30 September 2012   | 7                        | 11                        | 2                           | 20          |
| At 30 September 2013   | 7                        | 8                         | 1                           | 16          |

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## 13 Interests in associates

Significant interests in associates are:

|                                   | Country of incorporation | 2013<br>ownership | 2012<br>ownership |
|-----------------------------------|--------------------------|-------------------|-------------------|
| Twickenham Experience Limited     | England & Wales          | 40%               | 40%               |
| Oval Events Limited               | England & Wales          | 25%               | 25%               |
| AEG Facilities, LLC               | USA                      | 49%               | 49%               |
| Thompson Hospitality Services LLC | USA                      | 49%               | 49%               |

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Interests in associates</b>            |            |            |
| <b>Net book value</b>                     |            |            |
| At 1 October                              | 82         | 79         |
| Additions                                 | –          | 7          |
| Share of profits less losses (net of tax) | 10         | 8          |
| Dividends received                        | (6)        | (8)        |
| Currency and other adjustments            | (2)        | (4)        |
| At 30 September                           | 84         | 82         |

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

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Associates</b>                      |            |            |
| <b>Share of revenue and profits</b>    |            |            |
| Revenue                                | 49         | 43         |
| Expenses/taxation <sup>1</sup>         | (39)       | (35)       |
| Profit after tax for the year          | 10         | 8          |
| <b>Share of net assets</b>             |            |            |
| Goodwill                               | 33         | 30         |
| Other                                  | 51         | 52         |
| Net assets                             | 84         | 82         |
| <b>Share of contingent liabilities</b> |            |            |
| Contingent liabilities                 | (2)        | (5)        |

<sup>1</sup> Expenses include the relevant portion of income tax recorded by associates.

## 14 Other investments

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Net book value</b>  |            |            |
| At 1 October   | 46         | 41         |
| Additions  | –          | 3          |
| Disposals  | (9)        | (1)        |
| Business acquisitions  | –          | 1          |
| Currency and other adjustments   | 4          | 2          |
| At 30 September  | 41         | 46         |
| <b>Comprised of</b>  |            |            |
| Investment in Au Bon Pain <sup>1, 3</sup>                              | 7          | 7          |
| Other investments <sup>1, 3</sup>                                      | 10         | 9          |
| Life insurance policies and mutual fund investments <sup>1, 2, 3</sup> | 24         | 30         |
| Total  | 41         | 46         |

<sup>1</sup> Categorized as 'available for sale' financial assets (IAS 39).<sup>2</sup> Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations as set out in note 23.<sup>3</sup> As per the fair value hierarchies explained in note 20, the investment in Au Bon Pain is Level 3, other investments are Level 1 and the life insurance policies are Level 2.



## 15 Joint ventures

### Principal joint ventures

|                                   | Country of incorporation | 2013 ownership | 2012 ownership |
|-----------------------------------|--------------------------|----------------|----------------|
| Quadrant Catering Limited         | England & Wales          | 49%            | 49%            |
| ADNH Compass Middle East LLC      | United Arab Emirates     | 50%            | 50%            |
| Express Support Services Limitada | Angola                   | 50%            | 50%            |

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                         | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Share of revenue and profits</b>    |            |            |
| Revenue                                | 196        | 195        |
| Expenses                               | (175)      | (175)      |
| Profit after tax for the year          | 21         | 20         |
| <b>Share of net assets</b>             |            |            |
| Non-current assets                     | 6          | 5          |
| Current assets                         | 78         | 74         |
| Non-current liabilities                | (6)        | –          |
| Current liabilities                    | (44)       | (47)       |
| Net assets                             | 34         | 32         |
| <b>Share of contingent liabilities</b> |            |            |
| Contingent liabilities                 | 20         | 19         |

## 16 Trade and other receivables

|   | 2013          |                       |             | 2012          |                       |             |
|---|---------------|-----------------------|-------------|---------------|-----------------------|-------------|
|   | Current<br>£m | Non-<br>current<br>£m | Total<br>£m | Current<br>£m | Non-<br>current<br>£m | Total<br>£m |
| <b>Trade and other receivables</b>                  |               |                       |             |               |                       |             |
| <b>Net book value</b>                               |               |                       |             |               |                       |             |
| At 1 October  | 2,114         | 90                    | 2,204       | 2,030         | 77                    | 2,107       |
| Net movement  | 9             | (2)                   | 7           | 163           | 18                    | 181         |
| Currency adjustment                                 | (51)          | (5)                   | (56)        | (79)          | (5)                   | (84)        |
| At 30 September                                     | 2,072         | 83                    | 2,155       | 2,114         | 90                    | 2,204       |
| <b>Comprised of</b>                                 |               |                       |             |               |                       |             |
| Trade receivables                                   | 1,862         | 4                     | 1,866       | 1,900         | 4                     | 1,904       |
| Less: Provision for impairment of trade receivables | (101)         | –                     | (101)       | (99)          | –                     | (99)        |
| Net trade receivables <sup>1</sup>                  | 1,761         | 4                     | 1,765       | 1,801         | 4                     | 1,805       |
| Other receivables                                   | 58            | 69                    | 127         | 59            | 74                    | 133         |
| Less: Provision for impairment of other receivables | (11)          | –                     | (11)        | (8)           | –                     | (8)         |
| Net other receivables                               | 47            | 69                    | 116         | 51            | 74                    | 125         |
| Accrued income                                      | 166           | –                     | 166         | 163           | –                     | 163         |
| Prepayments   | 98            | 10                    | 108         | 99            | 12                    | 111         |
| Trade and other receivables                         | 2,072         | 83                    | 2,155       | 2,114         | 90                    | 2,204       |

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

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## 16 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, but various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's client base. Accordingly, the Directors believe that there is no further credit provision required in excess of the provision for the impairment of receivables. The book value of trade and other receivables represents the Group's maximum exposure to credit risk.

Trade receivable days for the continuing business at 30 September 2013 were 44 days (2012: 46 days).

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

|   | 2013                 |                                |                                |                                 |                                    | Total<br>£m |
|---|----------------------|--------------------------------|--------------------------------|---------------------------------|------------------------------------|-------------|
|   | Not yet<br>due<br>£m | 0-3<br>months<br>overdue<br>£m | 3-6<br>months<br>overdue<br>£m | 6-12<br>months<br>overdue<br>£m | Over 12<br>months<br>overdue<br>£m |             |
| <b>Trade receivables</b>                            |                      |                                |                                |                                 |                                    |             |
| Gross trade receivables                             | 1,442                | 312                            | 53                             | 22                              | 37                                 | 1,866       |
| Less: Provision for impairment of trade receivables | (7)                  | (10)                           | (30)                           | (19)                            | (35)                               | (101)       |
| Net trade receivables                               | 1,435                | 302                            | 23                             | 3                               | 2                                  | 1,765       |
|   |                      |                                |                                |                                 |                                    |             |
|   | 2012                 |                                |                                |                                 |                                    | Total<br>£m |
|   | Not yet<br>due<br>£m | 0-3<br>months<br>overdue<br>£m | 3-6<br>months<br>overdue<br>£m | 6-12<br>months<br>overdue<br>£m | Over 12<br>months<br>overdue<br>£m |             |
| <b>Trade receivables</b>                            |                      |                                |                                |                                 |                                    |             |
| 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       |

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

|  | 2013        |             |             | 2012        |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | Trade<br>£m | Other<br>£m | Total<br>£m | Trade<br>£m | Other<br>£m | Total<br>£m |
| <b>Provision for impairment of trade and other receivables</b> |             |             |             |             |             |             |
| At 1 October   | 99          | 8           | 107         | 75          | 8           | 83          |
| Charged to income statement                                    | 38          | 1           | 39          | 51          | –           | 51          |
| Credited to income statement                                   | (15)        | (1)         | (16)        | (15)        | (1)         | (16)        |
| Utilised   | (12)        | –           | (12)        | (14)        | –           | (14)        |
| Business acquisitions  | –           | –           | –           | –           | 1           | 1           |
| Reclassified   | (8)         | 3           | (5)         | –           | –           | –           |
| Currency adjustment  | (1)         | –           | (1)         | 2           | –           | 2           |
| At 30 September  | 101         | 11          | 112         | 99          | 8           | 107         |

At 30 September 2013, trade receivables of £330 million (2012: £342 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.

## 17 Inventories

| <b>Inventories</b>    | 2013<br>£m | 2012<br>£m |
|-----------------------|------------|------------|
| <b>Net book value</b> |            |            |
| At 1 October          | 261        | 270        |
| Net movement          | 1          | 1          |
| Currency adjustment   | (7)        | (10)       |
| At 30 September       | 255        | 261        |

## 18 Cash and cash equivalents

| <b>Cash and cash equivalents</b>       | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| Cash at bank and in hand               | 316        | 284        |
| Short term bank deposits               | 690        | 444        |
| Cash and cash equivalents <sup>1</sup> | 1,006      | 728        |

<sup>1</sup> Categorised as 'loans and receivables' financial assets (IAS 39).

| <b>Cash and cash equivalents by currency</b> | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| Sterling                                     | 541        | 456        |
| US Dollar                                    | 218        | 50         |
| Euro   | 71         | 31         |
| Japanese Yen                                 | 16         | 13         |
| Other  | 160        | 178        |
| Cash and cash equivalents                    | 1,006      | 728        |

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 20. The book value of cash and cash equivalents represents the maximum credit exposure.

## 19 Short and long term borrowings

|  | 2013          |                   |             | 2012          |                   |             |
|--|---------------|-------------------|-------------|---------------|-------------------|-------------|
|  | Current<br>£m | Non-current<br>£m | Total<br>£m | Current<br>£m | Non-current<br>£m | Total<br>£m |
| <b>Short and long term borrowings</b>              |               |                   |             |               |                   |             |
| Bank overdrafts                                    | 20            | –                 | 20          | 58            | –                 | 58          |
| Bank loans   | 4             | 301               | 305         | 11            | 52                | 63          |
| Loan notes   | 74            | 1,073             | 1,147       | –             | 872               | 872         |
| Bonds  | –             | 772               | 772         | –             | 764               | 764         |
| Borrowings (excluding finance leases)              | 98            | 2,146             | 2,244       | 69            | 1,688             | 1,757       |
| Finance leases                                     | 6             | 15                | 21          | 8             | 20                | 28          |
| Borrowings (including finance leases) <sup>1</sup> | 104           | 2,161             | 2,265       | 77            | 1,708             | 1,785       |

<sup>1</sup> Categorised as 'other financial liabilities' (IAS 39).

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

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

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 19 Short and long term borrowings continued

The Group has fixed term, fixed interest private placements totalling US\$1,782 million (£1,100 million) at interest rates between 3.09% and 6.72%. The carrying value of these loan notes is £1,111 million. It also has a Sterling denominated private placement of £35 million with a carrying value of £36 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     | \$200m        | Sep 2020   | 3.09%    |
| US\$ private placement     | \$398m        | Oct 2021   | 3.98%    |
| US\$ private placement     | \$352m        | Oct 2023   | 4.12%    |
| US\$ private placement     | \$300m        | Sep 2025   | 3.81%    |

The Group also 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 £772 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   | 3.13%    |

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

| Maturity profile of borrowings (excluding finance leases) | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| Within 1 year, or on demand                               | 98         | 69         |
| Between 1 and 2 years                                     | 264        | 80         |
| Between 2 and 3 years                                     | 153        | 274        |
| Between 3 and 4 years                                     | 286        | 154        |
| Between 4 and 5 years                                     | –          | 37         |
| In more than 5 years                                      | 1,443      | 1,143      |
| Borrowings (excluding finance leases)                     | 2,244      | 1,757      |

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:

| Carrying value and fair value of borrowings (excluding finance leases) | 2013                 |                  | 2012                 |                  |
|--|----------------------|------------------|----------------------|------------------|
|  | Carrying value<br>£m | Fair value<br>£m | Carrying value<br>£m | Fair value<br>£m |
| Bank overdrafts  | 20                   | 20               | 58                   | 58               |
| Bank loans   | 305                  | 305              | 63                   | 63               |
| Loan notes   | 1,147                | 1,170            | 872                  | 890              |
| £250m Eurobond Dec 2014  | 262                  | 267              | 274                  | 281              |
| €600m Eurobond Dec 2019  | 510                  | 534              | 490                  | 510              |
| Bonds  | 772                  | 801              | 764                  | 791              |
| Borrowings (excluding finance leases)                                  | 2,244                | 2,296            | 1,757                | 1,802            |

## 19 Short and long term borrowings continued

|   | 2013              |                     | 2012              |                     |
|---|-------------------|---------------------|-------------------|---------------------|
|   | Gross value<br>£m | Present value<br>£m | Gross value<br>£m | Present value<br>£m |
| <b>Gross and present value of finance lease liabilities</b> |                   |                     |                   |                     |
| <i>Finance lease payments falling due:</i>                  |                   |                     |                   |                     |
| Within 1 year   | 7                 | 6                   | 8                 | 8                   |
| In 2 to 5 years   | 11                | 11                  | 17                | 16                  |
| In more than 5 years  | 4                 | 4                   | 4                 | 4                   |
|   | <b>22</b>         | <b>21</b>           | 29                | 28                  |
| Less: Future finance charges                                | (1)               | –                   | (1)               | –                   |
| Gross and present value of finance lease liabilities        | <b>21</b>         | <b>21</b>           | 28                | 28                  |

|                               | 2013             |                      |              | 2012             |                      |             |
|-------------------------------|------------------|----------------------|--------------|------------------|----------------------|-------------|
|                               | Borrowings<br>£m | Finance leases<br>£m | Total<br>£m  | Borrowings<br>£m | Finance leases<br>£m | Total<br>£m |
| <b>Borrowings by currency</b> |                  |                      |              |                  |                      |             |
| Sterling                      | 599              | –                    | 599          | 360              | 2                    | 362         |
| US Dollar                     | 1,111            | 2                    | 1,113        | 885              | 4                    | 889         |
| Euro                          | 520              | 13                   | 533          | 503              | 16                   | 519         |
| Japanese Yen                  | –                | –                    | –            | –                | 4                    | 4           |
| Other                         | 14               | 6                    | 20           | 9                | 2                    | 11          |
| Total                         | <b>2,244</b>     | <b>21</b>            | <b>2,265</b> | 1,757            | 28                   | 1,785       |

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

| <b>Undrawn committed facilities</b> | 2013<br>£m | 2012<br>£m |
|-------------------------------------|------------|------------|
| Expiring between 1 and 5 years      | <b>700</b> | 700        |

## 20 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 18; debt, which includes the borrowings disclosed in note 19; and equity attributable to equity Shareholders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

### Financial management

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

### Liquidity risk

The Group finances its borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 20 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 executed which, when applied to the actual currency liabilities, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into Sterling. Where the borrowings are less than, or equate to, the net investment in overseas operations, these exchange rate variances are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the 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 include the US Dollar, the Euro and the Japanese Yen. As set out above, the Group seeks to hedge its exposure to currencies by matching debt in currency against the cash flows generated by the Group's foreign operations in such currencies.

The effect on profit after tax and equity of a 10% strengthening of Sterling against these currencies on the Group's financial statements is shown below. A 10% weakening would result in an equal and opposite impact on the profit or loss and equity of the Group. This table shows the impact on the financial instruments in place on 30 September and has been prepared on the basis that the 10% change in exchange rates occurred on the first day of the financial year and applied consistently throughout the year.

|   | 2013                       |                       |                                  | 2012                       |                       |                                  |
|---|----------------------------|-----------------------|----------------------------------|----------------------------|-----------------------|----------------------------------|
|   | Against<br>US Dollar<br>£m | Against<br>Euro<br>£m | Against<br>Japanese<br>Yen<br>£m | Against<br>US Dollar<br>£m | Against<br>Euro<br>£m | Against<br>Japanese<br>Yen<br>£m |
| <b>Financial instruments:<br/>Impact of Sterling strengthening by 10%</b> |                            |                       |                                  |                            |                       |                                  |
| Increase/(decrease) in profit for the year (after tax)                    | 1                          | 4                     | –                                | 1                          | (1)                   | –                                |
| Increase/(decrease) in total equity                                       | 80                         | 17                    | 5                                | 65                         | 17                    | 5                                |

### Interest rate risk

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

The sensitivity analysis given below has been determined based on the derivative and non-derivative financial instruments the Group had in place at the year end date only.

The effect of a 1% increase in interest rates prevailing at the balance sheet date on the Group's cash and cash equivalents and debt subject to variable rates of interest at the balance sheet date would be a loss of £1 million (2012: loss of £3 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.

## 20 Derivative financial instruments continued

|  | 2013           |                 |            |                       |             |             |
|--|----------------|-----------------|------------|-----------------------|-------------|-------------|
|  | Sterling<br>£m | US Dollar<br>£m | Euro<br>£m | Japanese<br>Yen<br>£m | Other<br>£m | Total<br>£m |
| <b>Interest rate sensitivity analysis</b>              |                |                 |            |                       |             |             |
| Increase in interest rate                              | +1%            | +1%             | +1%        | +1%                   | +1%         | n/a         |
| Floating rate exposure – cash/(debt)                   | 48             | (109)           | (43)       | (53)                  | 44          | (113)       |
| Increase/(decrease) in profit for the year (after tax) | –              | (1)             | –          | –                     | –           | (1)         |
|  | 2012           |                 |            |                       |             |             |
|  | Sterling<br>£m | US Dollar<br>£m | Euro<br>£m | Japanese<br>Yen<br>£m | Other<br>£m | Total<br>£m |
| <b>Interest rate sensitivity analysis</b>              |                |                 |            |                       |             |             |
| 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)         |

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. 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 16.

**Hedging activities**

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

**Fair value hedges**

The Group uses interest rate 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 between one and three years from 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 disallows as being designated as a hedged item.

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 £1,464 million (2012: £1,123 million).

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 20 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 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a 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.

|  | 2013                 |                          |                           |                               | 2012                 |                          |                           |                               |
|--|----------------------|--------------------------|---------------------------|-------------------------------|----------------------|--------------------------|---------------------------|-------------------------------|
|  | Current assets<br>£m | Non-current assets<br>£m | Current liabilities<br>£m | Non-current liabilities<br>£m | Current assets<br>£m | Non-current assets<br>£m | Current liabilities<br>£m | Non-current liabilities<br>£m |
| <b>Derivative financial instruments</b>                |                      |                          |                           |                               |                      |                          |                           |                               |
| <i>Interest rate swaps:</i>                            |                      |                          |                           |                               |                      |                          |                           |                               |
| Fair value hedges <sup>1</sup>                         | 2                    | 41                       | –                         | (1)                           | –                    | 84                       | –                         | –                             |
| Not in a hedging relationship <sup>2</sup>             | –                    | –                        | (1)                       | –                             | –                    | –                        | (2)                       | (1)                           |
| <i>Other derivatives:</i>                              |                      |                          |                           |                               |                      |                          |                           |                               |
| Forward currency contracts and<br>cross currency swaps | 5                    | 21                       | (2)                       | –                             | 1                    | 1                        | (1)                       | (1)                           |
| Others   | –                    | 1                        | –                         | –                             | 1                    | 2                        | –                         | –                             |
| <b>Total</b>   | <b>7</b>             | <b>63</b>                | <b>(3)</b>                | <b>(1)</b>                    | <b>2</b>             | <b>87</b>                | <b>(3)</b>                | <b>(2)</b>                    |

1 Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).

2 Derivatives carried at 'fair value through profit or loss' (IAS 39).

|  | 2013                   |                       | 2012                   |                       |
|--|------------------------|-----------------------|------------------------|-----------------------|
|  | Fair value swaps<br>£m | Cash flow swaps<br>£m | Fair value swaps<br>£m | Cash flow swaps<br>£m |
| <b>Notional amount of derivative financial instruments by currency</b> |                        |                       |                        |                       |
| Sterling   | 220                    | –                     | 220                    | –                     |
| US Dollar  | 680                    | 395                   | 497                    | 62                    |
| Euro   | 393                    | 38                    | 359                    | 68                    |
| Japanese Yen   | –                      | 45                    | –                      | 47                    |
| Other  | –                      | 124                   | –                      | 92                    |
| <b>Total</b>   | <b>1,293</b>           | <b>602</b>            | <b>1,076</b>           | <b>269</b>            |

|  | 2013                   |   |  | 2012                   |   |  |
|--|------------------------|---|--|------------------------|---|--|
|  | Gross borrowings<br>£m | Forward currency contracts <sup>1</sup><br>£m | Effective currency of borrowings<br>£m | Gross borrowings<br>£m | Forward currency contracts <sup>1</sup><br>£m | Effective currency of borrowings<br>£m |
| <b>Effective currency denomination of borrowings after the effect of derivatives</b> |                        |   |  |                        |   |  |
| Sterling   | 599                    | (28)  | 571                                    | 362                    | 163   | 525                                    |
| US Dollar  | 1,113                  | (75)  | 1,038                                  | 889                    | (80)  | 809                                    |
| Euro   | 533                    | (251)   | 282                                    | 519                    | (312)   | 207                                    |
| Japanese Yen   | –                      | 55  | 55                                     | 4                      | 55  | 59                                     |
| Other  | 20                     | 275   | 295                                    | 11                     | 174   | 185                                    |
| <b>Total</b>   | <b>2,265</b>           | <b>(24)</b>                                   | <b>2,241</b>                           | <b>1,785</b>           | <b>–</b>                                      | <b>1,785</b>                           |

1 Includes cross currency contracts.



## 20 Derivative financial instruments continued

|   | 2013                      |                                |                                |                                |                                |                       | Total<br>£m |
|---|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------|-------------|
|   | Less than<br>1 year<br>£m | Between 1<br>and 2 years<br>£m | Between 2<br>and 3 years<br>£m | Between 3<br>and 4 years<br>£m | Between 4<br>and 5 years<br>£m | Over<br>5 years<br>£m |             |
| <b>Gross debt maturity analysis</b>               |                           |                                |                                |                                |                                |                       |             |
| <b>Fixed interest</b>                             |                           |                                |                                |                                |                                |                       |             |
| €600m Eurobond 2019                               | -                         | -                              | -                              | -                              | -                              | 497                   | 497         |
| £250m Eurobond 2014                               | -                         | 250                            | -                              | -                              | -                              | -                     | 250         |
| US private placements                             | 74                        | -                              | 100                            | 35                             | -                              | 924                   | 1,133       |
| Total fixed interest                              | 74                        | 250                            | 100                            | 35                             | -                              | 1,421                 | 1,880       |
| Cash flow swaps (fixed leg)                       | 390                       | 212                            | -                              | -                              | -                              | -                     | 602         |
| Fair value swaps (fixed leg)                      | (65)                      | (200)                          | (59)                           | (20)                           | -                              | (949)                 | (1,293)     |
| Fixed interest (asset)/liability                  | 399                       | 262                            | 41                             | 15                             | -                              | 472                   | 1,189       |
| <b>Floating interest</b>                          |                           |                                |                                |                                |                                |                       |             |
| Bank loans  | 4                         | 2                              | 49                             | 250                            | -                              | -                     | 305         |
| Overdrafts  | 20                        | -                              | -                              | -                              | -                              | -                     | 20          |
| Total floating interest                           | 24                        | 2                              | 49                             | 250                            | -                              | -                     | 325         |
| Cash flow swaps (floating leg)                    | (390)                     | (212)                          | -                              | -                              | -                              | -                     | (602)       |
| Fair value swaps (floating leg)                   | 65                        | 200                            | 59                             | 20                             | -                              | 949                   | 1,293       |
| Floating interest (asset)/liability               | (301)                     | (10)                           | 108                            | 270                            | -                              | 949                   | 1,016       |
| <b>Other</b>                                      |                           |                                |                                |                                |                                |                       |             |
| Finance lease obligations                         | 6                         | 5                              | 3                              | 2                              | 1                              | 4                     | 21          |
| Fair value adjustments to borrowings <sup>1</sup> | -                         | 12                             | 4                              | 1                              | -                              | 22                    | 39          |
| Other (asset)/liability                           | 6                         | 17                             | 7                              | 3                              | 1                              | 26                    | 60          |
| Gross debt excluding derivatives                  | 104                       | 269                            | 156                            | 288                            | 1                              | 1,447                 | 2,265       |
| <b>Derivative financial instruments</b>           |                           |                                |                                |                                |                                |                       |             |
| Derivative financial instruments <sup>2</sup>     | (1)                       | (20)                           | (17)                           | (2)                            | -                              | (23)                  | (63)        |
| Forward currency contracts <sup>1</sup>           | (3)                       | -                              | -                              | -                              | -                              | -                     | (3)         |
| Gross debt  | 100                       | 249                            | 139                            | 286                            | 1                              | 1,424                 | 2,199       |

1 Non-cash item (changes in the value of this non-cash item are reported via the currency translation gains/(losses) caption in note 29).

2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 29).

|  | 2013                      |                                |                                |                                |                                |                       | Total<br>£m |
|--|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------|-------------|
|  | Less than<br>1 year<br>£m | Between 1<br>and 2 years<br>£m | Between 2<br>and 3 years<br>£m | Between 3<br>and 4 years<br>£m | Between 4<br>and 5 years<br>£m | Over<br>5 years<br>£m |             |
| <b>Principal and interest maturity analysis</b>                                    |                           |                                |                                |                                |                                |                       |             |
| Gross debt   | 100                       | 249                            | 139                            | 286                            | 1                              | 1,424                 | 2,199       |
| Less: Overdrafts   | (20)                      | -                              | -                              | -                              | -                              | -                     | (20)        |
| Less: Fees and premiums capitalised on issue                                       | (2)                       | (1)                            | (1)                            | (1)                            | (1)                            | (3)                   | (9)         |
| Less: Other non-cash items   | 4                         | 8                              | 13                             | 1                              | -                              | 1                     | 27          |
| Repayment of principal   | 82                        | 256                            | 151                            | 286                            | -                              | 1,422                 | 2,197       |
| Interest cash flows on debt and derivatives (settled net)                          | 88                        | 86                             | 65                             | 59                             | 52                             | 174                   | 524         |
| Settlement of forward currency contracts and cross currency swaps – payable leg    | (140)                     | -                              | -                              | -                              | -                              | -                     | (140)       |
| Settlement of forward currency contracts and cross currency swaps – receivable leg | 142                       | -                              | -                              | -                              | -                              | -                     | 142         |
| Repayment of principal and interest  | 172                       | 342                            | 216                            | 345                            | 52                             | 1,596                 | 2,723       |

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 20 Derivative financial instruments continued

|   | 2012                      |                                |                                |                                |                                |                       | Total<br>£m |
|---|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------|-------------|
|   | Less than<br>1 year<br>£m | Between 1<br>and 2 years<br>£m | Between 2<br>and 3 years<br>£m | Between 3<br>and 4 years<br>£m | Between 4<br>and 5 years<br>£m | Over<br>5 years<br>£m |             |
| <b>Gross debt maturity analysis</b>               |                           |                                |                                |                                |                                |                       |             |
| <b>Fixed interest</b>                             |                           |                                |                                |                                |                                |                       |             |
| €600m Eurobond 2019                               | –                         | –                              | –                              | –                              | –                              | 473                   | 473         |
| £250m Eurobond 2014                               | –                         | –                              | 250                            | –                              | –                              | –                     | 250         |
| US private placements                             | –                         | 74                             | –                              | 100                            | 35                             | 618                   | 827         |
| 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         |
| <b>Floating interest</b>                          |                           |                                |                                |                                |                                |                       |             |
| 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         |
| <b>Other</b>                                      |                           |                                |                                |                                |                                |                       |             |
| Finance lease obligations                         | 8                         | 7                              | 4                              | 3                              | 2                              | 4                     | 28          |
| Fair value adjustments to borrowings <sup>1</sup> | –                         | 2                              | 24                             | 6                              | 2                              | 52                    | 86          |
| Other (asset)/liability                           | 8                         | 9                              | 28                             | 9                              | 4                              | 56                    | 114         |
| Gross debt excluding derivatives                  | 77                        | 87                             | 278                            | 157                            | 39                             | 1,147                 | 1,785       |
| <b>Derivative financial instruments</b>           |                           |                                |                                |                                |                                |                       |             |
| Derivative financial instruments <sup>2</sup>     | 1                         | (4)                            | (28)                           | (8)                            | (2)                            | (43)                  | (84)        |
| Forward currency contracts <sup>1</sup>           | –                         | –                              | –                              | –                              | –                              | –                     | –           |
| 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 via the currency translation gains/(losses) caption in note 29).

2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 29).

|  | 2012                      |                                |                                |                                |                                |                       | Total<br>£m |
|--|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------|-------------|
|  | Less than<br>1 year<br>£m | Between 1<br>and 2 years<br>£m | Between 2<br>and 3 years<br>£m | Between 3<br>and 4 years<br>£m | Between 4<br>and 5 years<br>£m | Over<br>5 years<br>£m |             |
| <b>Principal and interest maturity analysis</b>                                    |                           |                                |                                |                                |                                |                       |             |
| 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       |

## 21 Trade and other payables

|   | 2013          |                   |             | 2012          |                   |             |
|---|---------------|-------------------|-------------|---------------|-------------------|-------------|
|   | Current<br>£m | Non-current<br>£m | Total<br>£m | Current<br>£m | Non-current<br>£m | Total<br>£m |
| <b>Trade and other payables</b>                     |               |                   |             |               |                   |             |
| <b>Net book value</b>                               |               |                   |             |               |                   |             |
| At 1 October  | 3,010         | 38                | 3,048       | 2,900         | 39                | 2,939       |
| Net movement  | 106           | 42                | 148         | 216           | (1)               | 215         |
| Currency adjustment                                 | (62)          | (5)               | (67)        | (106)         | –                 | (106)       |
| At 30 September                                     | 3,054         | 75                | 3,129       | 3,010         | 38                | 3,048       |
| <b>Comprised of</b>                                 |               |                   |             |               |                   |             |
| Trade payables <sup>1</sup>                         | 1,349         | –                 | 1,349       | 1,310         | 2                 | 1,312       |
| Social security and other taxes                     | 279           | –                 | 279         | 306           | –                 | 306         |
| Other payables                                      | 164           | 22                | 186         | 148           | 19                | 167         |
| Deferred consideration on acquisitions <sup>1</sup> | 17            | 6                 | 23          | 7             | 11                | 18          |
| Accruals <sup>2</sup>                               | 990           | 47                | 1,037       | 952           | 6                 | 958         |
| Deferred income                                     | 248           | –                 | 248         | 281           | –                 | 281         |
| Amounts owed to associates <sup>3</sup>             | 7             | –                 | 7           | 6             | –                 | 6           |
| Trade and other payables                            | 3,054         | 75                | 3,129       | 3,010         | 38                | 3,048       |

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

2 Of this balance £393 million (2012: £315 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 2013 were 68 days (2012: 67 days).

## 22 Provisions

| Provisions                          | Insurance<br>£m | Provisions in<br>respect of<br>discontinued<br>and disposed<br>businesses<br>£m | Onerous<br>contracts<br>£m | Legal and<br>other claims<br>£m | Re-<br>organisation<br>£m | Other<br>£m | Total<br>£m |
|-------------------------------------|-----------------|---|----------------------------|---------------------------------|---------------------------|-------------|-------------|
|                                     |                 |   |                            |                                 |                           |             |             |
| At 1 October 2011                   | 201             | 54  | 41                         | 130                             | 7                         | 6           | 439         |
| Reclassified <sup>1</sup>           | (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)        |
| 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         |
| At 1 October 2012                   | 217             | 52  | 79                         | 105                             | 94                        | 56          | 603         |
| Reclassified <sup>1</sup>           | –               | (4)   | 4                          | 1                               | (1)                       | (4)         | (4)         |
| Expenditure in the year             | (11)            | (1)   | (31)                       | (5)                             | (69)                      | (18)        | (135)       |
| Charged to income statement         | 23              | –   | 4                          | 10                              | 46                        | 12          | 95          |
| Credited to income statement        | –               | –   | (4)                        | (16)                            | (6)                       | (4)         | (30)        |
| Unwinding of discount on provisions | –               | –   | 3                          | –                               | –                         | –           | 3           |
| Currency adjustment                 | (1)             | –   | 1                          | (4)                             | 3                         | –           | (1)         |
| At 30 September 2013                | 228             | 47  | 56                         | 91                              | 67                        | 42          | 531         |

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

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 22 Provisions continued

| Provisions              | 2013<br>£m | 2012<br>£m |
|-------------------------|------------|------------|
| Current                 | 189        | 246        |
| Non-current             | 342        | 357        |
| <b>Total provisions</b> | <b>531</b> | <b>603</b> |

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.

Provisions for onerous contracts represent the liabilities in respect of short term and long term leases on unoccupied properties and other contracts lasting under five years.

Provisions for legal and other claims relate principally to provisions for the estimated cost of litigation and other sundry claims. The timing of the settlement of these claims is uncertain.

Provisions for re-organisation include provision for redundancy costs.

Other provisions include environmental provisions. These are in respect of potential liabilities relating to the Group's responsibility for maintaining its operating sites in accordance with statutory requirements and the Group's aim to have a low impact on the environment. These provisions are expected to be utilised as operating sites are disposed of or as environmental matters are resolved.

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

## 23 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 £80 million (2012: £77 million) have been fully expensed against profits in the current year.

### UK schemes

Within the UK there are now three main arrangements. The Compass Retirement Income Savings Plan (CRISP), the Compass Group Pension Plan (the Plan) and the Company's stakeholder pension arrangement.

CRISP was launched on 1 February 2003. This has been the main vehicle for pension provision for new joiners in the UK since that date, but existing members of the Plan 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. Those UK employees who transfer from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006 are eligible to join the Plan, which has otherwise been closed to new entrants since 2003. Such transferees enter into the Government Actuary's Department (GAD) sections of the Plan and are known as 'GAD members'. The Plan closed to future accrual for all existing members, other than GAD members, on 5 April 2010. The affected members were offered membership of CRISP from 6 April 2010.

The Plan is operated on a pre-funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. A formal actuarial valuation of the Plan is carried out every three years. The most recent valuation of the Plan took place as at 5 April 2013. At the valuation date, the total market value of the assets of the Plan was £1,808 million which represented 92% of the benefits that had accrued to members after allowing for expected future increases in earnings.

## 23 Post-employment benefit obligations continued

By agreement with the Trustees, the Company has agreed to eliminate the 5 April 2013 deficit over a period of six years and three months to 31 December 2019 through monthly payments totalling £26 million per annum. The next triennial valuation is due to be completed as at 5 April 2016. The Plan is reappraised annually by independent actuaries in accordance with IAS 19 'Employee Benefits' requirements.

CRISP has a Corporate Trustee. The Chairman, Tony Allen, is independent but will retire on 30 November 2013. His successor will be Nigel Palmer, who is a current employee of the Group and was appointed a Trustee Director on 30 May 2013. The other four Trustee Directors are UK-based employees of the Group, one of whom has been nominated by CRISP members. At the date of this Report, there are vacancies for a further two member-nominated Trustee Directors. The Plan has a corporate trustee. The Chairman, Peter Morriss to 11 October 2013 and Phillip Whittome from 11 October 2013, is 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 deferred its staging date for automatic enrolment of eligible employees until 2 January 2013 in order to ensure that adequate systems were in place and employees were not impacted over the Christmas period. Both the Plan and CRISP are compliant arrangements under these Regulations and have been registered as such.

Employees who are not already in one of these registered compliant arrangements have been 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 provides the right type of service, communication material and investment choice for our employees and that it has the capabilities to support a company as large and diverse as Compass.

### 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 achieves a 100% funding level on a projected salary basis. 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 £10 million in the year (2012: £9 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 |      |      |
|--|--------------|------|------|-------------|------|------|---------------|------|------|
|  | 2013         | 2012 | 2011 | 2013        | 2012 | 2011 | 2013          | 2012 | 2011 |
| Discount rate                            | <b>4.4%</b>  | 4.5% | 5.1% | <b>4.3%</b> | 3.5% | 4.4% | <b>3.6%</b>   | 3.1% | 3.7% |
| Inflation assumption                     | <b>3.4%</b>  | 2.7% | 3.0% | <b>2.2%</b> | 2.3% | 2.3% | <b>2.0%</b>   | 2.0% | 2.1% |
| CPI inflation assumption                 | <b>2.65%</b> | n/a  | n/a  | <b>n/a</b>  | n/a  | n/a  | <b>n/a</b>    | n/a  | n/a  |
| Rate of increase in salaries             | <b>3.4%</b>  | 3.7% | 4.0% | <b>3.0%</b> | 3.0% | 3.0% | <b>2.1%</b>   | 2.4% | 2.5% |
| Rate of increase for pensions in payment | <b>3.3%</b>  | 2.7% | 3.0% | <b>2.2%</b> | 2.3% | 2.3% | <b>0.5%</b>   | 0.5% | 0.7% |
| Rate of increase for deferred pensions   | <b>3.4%</b>  | 2.7% | 3.0% | <b>0.0%</b> | 0.0% | 0.0% | <b>0.0%</b>   | 0.3% | 0.5% |

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 23 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 and +0.6 year age adjustment for 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:

| Life expectancy at 65 (years) | 2013 |        | 2012 |        |
|-------------------------------|------|--------|------|--------|
|                               | Male | Female | Male | Female |
| Member aged 65 in 2013 (2012) | 22.4 | 24.4   | 22.4 | 24.8   |
| Member aged 65 in 2033 (2032) | 24.2 | 26.3   | 24.1 | 26.8   |

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of pension schemes.

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. For US schemes, examples of the resulting life expectancies are as follows:

| Life expectancy at 65 (years) | 2013 |        | 2012 |        |
|-------------------------------|------|--------|------|--------|
|                               | Male | Female | Male | Female |
| Member aged 65 in 2013 (2012) | 19.2 | 21.0   | 19.1 | 21.0   |

### 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.

|                    | 2013               |       |                    |     |                    |     |             |
|--------------------|--------------------|-------|--------------------|-----|--------------------|-----|-------------|
|                    | UK schemes         |       | USA schemes        |     | Other schemes      |     | Total<br>£m |
|                    | Expected<br>return | £m    | Expected<br>return | £m  | Expected<br>return | £m  |             |
| Equity instruments | 7.0%               | 581   | 8.6%               | 110 | 6.5%               | 23  | 714         |
| Debt instruments   | 3.5%               | 1,090 | 4.6%               | 140 | 2.1%               | 39  | 1,269       |
| Other              | 5.8%               | 101   | –                  | –   | 4.3%               | 65  | 166         |
| Total plan assets  | 4.8%               | 1,772 | 6.3%               | 250 | 4.0%               | 127 | 2,149       |

|                    | 2012               |       |                    |     |                    |     |             |
|--------------------|--------------------|-------|--------------------|-----|--------------------|-----|-------------|
|                    | UK schemes         |       | USA schemes        |     | Other schemes      |     | Total<br>£m |
|                    | Expected<br>return | £m    | Expected<br>return | £m  | Expected<br>return | £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      |     | Total<br>£m |
|                    | Expected<br>return | £m    | Expected<br>return | £m  | Expected<br>return | £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       |

## 23 Post-employment benefit obligations continued

| Movements in the fair value of plan assets | 2013     |           |             |             | 2012     |           |             |             |
|--|----------|-----------|-------------|-------------|----------|-----------|-------------|-------------|
|  | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m |
| At 1 October                               | 1,546    | 224       | 129         | 1,899       | 1,445    | 192       | 136         | 1,773       |
| Currency adjustment                        | –        | (1)       | (2)         | (3)         | –        | (7)       | (6)         | (13)        |
| Expected return on plan assets             | 67       | 14        | 5           | 86          | 66       | 13        | 6           | 85          |
| Actuarial gain/(loss)                      | 109      | 10        | –           | 119         | 63       | 19        | 5           | 87          |
| Employee contributions                     | –        | 14        | 3           | 17          | –        | 12        | 4           | 16          |
| Employer contributions                     | 102      | 16        | 28          | 146         | 30       | 24        | 18          | 72          |
| Benefits paid                              | (52)     | (20)      | (23)        | (95)        | (58)     | (19)      | (18)        | (95)        |
| Disposals and plan settlements             | –        | (7)       | (13)        | (20)        | –        | (10)      | (16)        | (26)        |
| At 30 September                            | 1,772    | 250       | 127         | 2,149       | 1,546    | 224       | 129         | 1,899       |

| Movement in the present value of defined benefit obligations | 2013     |           |             |             | 2012     |           |             |             |
|--|----------|-----------|-------------|-------------|----------|-----------|-------------|-------------|
|  | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m |
| At 1 October   | 1,678    | 342       | 241         | 2,261       | 1,499    | 319       | 248         | 2,066       |
| Currency adjustment  | –        | (1)       | (1)         | (2)         | –        | (12)      | (11)        | (23)        |
| Current service cost   | 2        | 7         | 12          | 21          | 2        | 7         | 11          | 20          |
| Curtailement credit  | –        | –         | –           | –           | –        | (2)       | (1)         | (3)         |
| Amount charged to plan liabilities                           | 74       | 16        | 7           | 97          | 75       | 16        | 9           | 100         |
| Actuarial (gain)/loss  | 88       | 1         | (9)         | 80          | 160      | 31        | 11          | 202         |
| Employee contributions                                       | –        | 14        | 3           | 17          | –        | 12        | 4           | 16          |
| Benefits paid  | (52)     | (20)      | (23)        | (95)        | (58)     | (19)      | (18)        | (95)        |
| Disposals and plan settlements                               | –        | (7)       | (14)        | (21)        | –        | (10)      | (16)        | (26)        |
| Acquisitions   | –        | –         | –           | –           | –        | –         | 4           | 4           |
| At 30 September  | 1,790    | 352       | 216         | 2,358       | 1,678    | 342       | 241         | 2,261       |

| Present value of defined benefit obligations | 2013     |           |             |             | 2012     |           |             |             |
|--|----------|-----------|-------------|-------------|----------|-----------|-------------|-------------|
|  | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m |
| Funded obligations                           | 1,750    | 273       | 150         | 2,173       | 1,640    | 258       | 169         | 2,067       |
| Unfunded obligations                         | 40       | 79        | 66          | 185         | 38       | 84        | 72          | 194         |
| Total obligations                            | 1,790    | 352       | 216         | 2,358       | 1,678    | 342       | 241         | 2,261       |

| Post-employment benefit obligations recognised in the balance sheet | 2013<br>£m | 2012<br>£m | 2011<br>£m | 2010<br>£m | 2009<br>£m |
|---|------------|------------|------------|------------|------------|
| Present value of defined benefit obligations                        | 2,358      | 2,261      | 2,066      | 2,029      | 1,861      |
| Fair value of plan assets   | (2,149)    | (1,899)    | (1,773)    | (1,639)    | (1,525)    |
| Total deficit of defined benefit pension plans per above            | 209        | 362        | 293        | 390        | 336        |
| Surplus not recognised  | –          | –          | –          | –          | 1          |
| Past service cost not recognised <sup>1</sup>                       | (1)        | (1)        | (1)        | (1)        | (2)        |
| Post-employment benefit obligations per the balance sheet           | 208        | 361        | 292        | 389        | 335        |

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 2013

## 23 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, £24 million (2012: £30 million), may not be offset against pension obligations under IAS 19 and is reported within note 14.

| Total pension costs/(credits)<br>recognised in the income statement | 2013     |           |             |             | 2012     |           |             |             |
|---|----------|-----------|-------------|-------------|----------|-----------|-------------|-------------|
|   | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m | UK<br>£m | USA<br>£m | Other<br>£m | Total<br>£m |
| Current service cost  | 2        | 7         | 12          | 21          | 2        | 7         | 11          | 20          |
| Past service cost   | –        | –         | –           | –           | –        | –         | –           | –           |
| Curtailment credit  | –        | –         | –           | –           | –        | (2)       | (1)         | (3)         |
| Charged to operating expenses                                       | 2        | 7         | 12          | 21          | 2        | 5         | 10          | 17          |
| Amount charged to pension liability                                 | 74       | 16        | 7           | 97          | 75       | 16        | 9           | 100         |
| Expected return on plan assets                                      | (67)     | (14)      | (5)         | (86)        | (66)     | (13)      | (6)         | (85)        |
| Charged to finance costs  | 7        | 2         | 2           | 11          | 9        | 3         | 3           | 15          |
| Total pension costs   | 9        | 9         | 14          | 32          | 11       | 8         | 13          | 32          |

The history of experience adjustments is as follows:

| Experience adjustments                                   | 2013<br>£m | 2012<br>£m | 2011<br>£m | 2010<br>£m | 2009<br>£m |
|--|------------|------------|------------|------------|------------|
| Experience adjustments on plan liabilities – (loss)/gain | (11)       | (1)        | 13         | 19         | (3)        |
| Experience adjustments on plan assets – gain/(loss)      | 119        | 87         | (24)       | 49         | (7)        |

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

| Actuarial adjustments   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| Actuarial gains on fair value of plan assets                                    | 119        | 87         |
| Losses on defined benefit obligations   | (80)       | (202)      |
| Actuarial gains/(losses) per the consolidated statement of comprehensive income | 39         | (115)      |

The Group made total contributions to defined benefit schemes of £146 million in the year (2012: £72 million), including exceptional advance payments of £72 million (2012: £nil), and expects to make regular ongoing contributions to these schemes totalling £67 million in 2014.

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 £205 million (2012: gain of £172 million).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £463 million (2012: £502 million). An actuarial gain of £39 million (2012: actuarial loss of £115 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 percentage points in the UK discount rate would result in a £159 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 £49 million increase in the UK defined benefit obligations.



## 24 Called up share capital

During the year 4,650,560 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.

During the year the Company completed the on market share buyback programme that commenced on 10 January 2012 and commenced a further programme. During the year a total of 56,335,966 ordinary shares of 10 pence each were repurchased for consideration of £446 million and cancelled. The Company also contracted to repurchase a further 400,000 ordinary shares of 10 pence each before 30 September 2013 for consideration of £3.4 million which was settled in October 2013.

| Authorised and allotted share capital | 2013             |     | 2012             |     |
|---------------------------------------|------------------|-----|------------------|-----|
|                                       | Number of shares | £m  | Number of shares | £m  |
| <i>Authorised:</i>                    |                  |     |                  |     |
| Ordinary shares of 10p each           | 3,000,010,000    | 300 | 3,000,010,000    | 300 |
| <i>Allotted and fully paid:</i>       |                  |     |                  |     |
| Ordinary shares of 10p each           | 1,804,035,995    | 180 | 1,855,164,098    | 186 |

| Allotted share capital   | 2013             |  | 2012             |  |
|--|------------------|--|------------------|--|
|  | Number of shares |  | Number of shares |  |
| Ordinary shares of 10p each allotted as at 1 October                                   | 1,855,164,098    |  | 1,897,584,193    |  |
| Ordinary shares allotted during the year on exercise of share options                  | 3,419,777        |  | 9,594,748        |  |
| Ordinary shares allotted during the year on release of Long Term Incentive Plan awards | 1,788,086        |  | 1,744,672        |  |
| Repurchase of ordinary share capital   | (56,335,966)     |  | (53,759,515)     |  |
| Ordinary shares of 10p each allotted as at 30 September                                | 1,804,035,995    |  | 1,855,164,098    |  |

At 30 September 2013, employees held options over a total of 21,107,790 ordinary shares under the Group's Executive and Management Share Option Plans as follows:

| Executive and Management Share Option Plans | Exercisable                           | Number of shares  | Option price per share pence |
|---|---------------------------------------|-------------------|------------------------------|
| <i>Date of grant:</i>                       |                                       |                   |                              |
| 3 December 2003                             | 3 December 2006 – 2 December 2013     | 352,200           | 356.00                       |
| 3 August 2004                               | 3 August 2007 – 2 August 2014         | 625,700           | 316.25                       |
| 1 December 2004                             | 1 December 2007 – 30 November 2014    | 1,204,600         | 229.25                       |
| 14 December 2005                            | 14 December 2008 – 13 December 2015   | 382,920           | 210.00                       |
| 12 June 2006                                | 12 June 2009 – 11 June 2016           | 6,500             | 234.50                       |
| 30 March 2007                               | 30 March 2010 – 29 March 2017         | 571,484           | 335.75                       |
| 28 September 2007                           | 28 September 2010 – 27 September 2017 | 28,660            | 310.75                       |
| 28 March 2008                               | 28 March 2011 – 27 March 2018         | 733,882           | 321.50                       |
| 30 September 2008                           | 30 September 2011 – 29 September 2018 | 17,141            | 331.25                       |
| 31 March 2009                               | 31 March 2012 – 30 March 2019         | 1,493,638         | 319.00                       |
| 30 September 2009                           | 30 September 2012 – 29 September 2019 | 20,047            | 372.40                       |
| 13 May 2010                                 | 13 May 2013 – 12 May 2020             | 2,196,123         | 557.50                       |
| 25 November 2010                            | 25 November 2013 – 24 November 2020   | 78,754            | 566.00                       |
| 19 May 2011                                 | 19 May 2014 – 18 May 2021             | 3,885,792         | 575.00                       |
| 25 November 2011                            | 25 November 2014 – 24 November 2021   | 151,044           | 545.50                       |
| 17 May 2012                                 | 17 May 2015 – 16 May 2022             | 4,708,745         | 627.00                       |
| 22 November 2012                            | 22 November 2015 – 21 November 2022   | 219,800           | 699.50                       |
| 16 May 2013                                 | 16 May 2016 – 15 May 2023             | 4,430,760         | 878.00                       |
|   |                                       | <b>21,107,790</b> |                              |

# Notes to the consolidated financial statements

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## 24 Called up share capital continued

Options granted after 3 February 2011 under the terms of The Compass Group Share Option Plan 2010 may be net settled at the discretion of the Company on exercise by the option holders, sufficient ordinary shares being issued to satisfy the profit realised during the period of the option.

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    |
|---------------------------|----------------|------------------|---------------------------|
| <i>Date of award:</i>     |                |                  |                           |
| 25 November 2010          | 1 October 2013 | 1,360,106        | 50% TSR/50% AFCF          |
| 25 November 2011          | 1 October 2014 | 1,517,092        | 50% TSR/50% AFCF          |
| 17 May 2012               | 1 October 2014 | 114,832          | 50% TSR/50% AFCF          |
| 12 February 2013          | 1 October 2015 | 1,159,860        | 33% TSR/33% AFCF/33% ROCE |
| 18 February 2013          | 1 October 2015 | 18,717           | 33% TSR/33% AFCF/33% ROCE |
|                           |                | <b>4,170,607</b> |                           |

The performance and vesting conditions are described in more detail in note 25.

## 25 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 prior years' Annual Reports which are available on the Company's website.

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

|  | 2013                    |                                       | 2012                    |                                       |
|--|-------------------------|---------------------------------------|-------------------------|---------------------------------------|
|  | Number of share options | Weighted average exercise price pence | Number of share options | Weighted average exercise price pence |
| <b>Executive and Management Share Option Plans</b> |                         |                                       |                         |                                       |
| Outstanding at 1 October                           | 21,774,335              | 469.17                                | 27,315,996              | 388.58                                |
| Granted  | 4,650,560               | 869.56                                | 5,079,650               | 624.03                                |
| Exercised  | (3,419,777)             | 342.63                                | (9,422,701)             | 322.58                                |
| Lapsed (following net settlement)                  | (860,654)               | 557.50                                | –                       | –                                     |
| Expired  | (323,450)               | 317.20                                | (54,003)                | 404.61                                |
| Lapsed   | (713,224)               | 443.15                                | (1,144,607)             | 443.01                                |
| Outstanding at 30 September                        | 21,107,790              | 577.50                                | 21,774,335              | 469.17                                |
| Exercisable at 30 September                        | 7,632,895               | 371.03                                | 9,022,759               | 299.19                                |

|                             | 2013                    |                                       | 2012                    |                                       |
|-----------------------------|-------------------------|---------------------------------------|-------------------------|---------------------------------------|
|                             | Number of share options | Weighted average exercise price pence | Number of share options | Weighted average exercise price pence |
| <b>UK Sharesave Plan</b>    |                         |                                       |                         |                                       |
| Outstanding at 1 October    | 12,965                  | 179.20                                | 188,184                 | 180.43                                |
| Exercised                   | –                       | –                                     | (172,047)               | 179.20                                |
| Lapsed                      | (12,965)                | 179.20                                | (3,172)                 | 252.00                                |
| Outstanding at 30 September | –                       | –                                     | 12,965                  | 179.20                                |
| Exercisable at 30 September | –                       | –                                     | 12,965                  | 179.20                                |

## 25 Share-based payments continued

### Information relating to all option schemes

The weighted average share price at the date of exercise for share options exercised during the year was 826.94 pence (2012: 644.10 pence).

The executive and management options outstanding at the end of the year have a weighted average remaining contractual life of 7.0 years (2012: 6.6 years).

In the year, options were granted on 22 November 2012 and 16 May 2013 under the terms of the CSOP 2010. The estimated fair value of options granted on these dates was 95.82 pence and 99.88 pence respectively. In 2012, options were granted on 25 November 2011 and 17 May 2012. The estimated fair value of these options was 104.85 pence and 84.11 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 the CSOP 2010:

| <b>Assumptions – options</b>                  | <b>2013</b>      | 2012      |
|---|------------------|-----------|
| Expected volatility                           | <b>17.4%</b>     | 22.3%     |
| Risk free interest rate                       | <b>1.0%</b>      | 1.0%      |
| Dividend yield                                | <b>2.5%</b>      | 3.2%      |
| Expected life                                 | <b>6.0 years</b> | 6.0 years |
| Weighted average share price at date of grant | <b>875.49p</b>   | 621.82p   |
| Weighted average option exercise price        | <b>869.56p</b>   | 624.03p   |

Vesting of options awarded from October 2005 onwards depends on the achievement of the Adjusted Free Cash Flow (AFCF) target. For options granted after 30 September 2006, 25% of the awards will vest if the threshold AFCF target is met and 100% of the awards will vest if the maximum AFCF target is met. Awards vest on a straight-line basis for AFCF between these two points.

| <b>Executive and Management<br/>Share Option Plans</b> | Performance period                 | Target     |            |            |            |
|--|------------------------------------|------------|------------|------------|------------|
|  |                                    | Threshold  |            | Maximum    |            |
|  |                                    | AFCF<br>£m | % of award | AFCF<br>£m | % of award |
| <i>Granted on:</i>                                     |                                    |            |            |            |            |
| 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%       |
| 22 November 2012 and 16 May 2013                       | 1 October 2012 – 30 September 2015 | 2,246      | 25%        | 2,482      | 100%       |

Performance targets applying to earlier grants under the Executive and Management Share Option Plans have been met in full.

# Notes to the consolidated financial statements

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## 25 Share-based payments continued

### Long Term Incentive Plans

Full details of The Compass Group PLC Long Term Incentive Plan 2010 and the Compass Group Long-Term Incentive Plan can be found in the Directors' Remuneration Report on pages 55 to 70.

The following table shows the movement in share awards during the year:

|                                       | 2013<br>Number<br>of shares | 2012<br>Number<br>of shares |
|---------------------------------------|-----------------------------|-----------------------------|
| <b>Long Term Incentive Plans</b>      |                             |                             |
| Outstanding at 1 October              | 4,780,116                   | 5,065,752                   |
| Awarded                               | 1,178,577                   | 1,631,924                   |
| Released                              | (1,788,086)                 | (1,744,672)                 |
| Lapsed                                | –                           | (172,888)                   |
| Outstanding at 30 September           | 4,170,607                   | 4,780,116                   |
| Available for release at 30 September | –                           | –                           |

The vesting of 50% of LTIP awards made before 7 February 2013 and 33.3% of awards made after that date is dependent on the Group's total shareholder return (TSR) performance relative to a comparator group of non financial companies included within the FTSE 100 Index. 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.

Vesting of the remaining 50% of LTIP awards made before 7 February 2013 and 33.3% of awards made after that date depends on the achievement of the AFCF target. 25% of that element of the award will vest if the threshold AFCF target is met and 100% of that element of the award will vest if the maximum AFCF target is met. Awards vest on a straight-line basis between these two points.

| Long Term Incentive Plans       | Performance period                 | Target     |            |            |            |
|---------------------------------|------------------------------------|------------|------------|------------|------------|
|                                 |                                    | Threshold  |            | Maximum    |            |
|                                 |                                    | AFCF<br>£m | % of award | AFCF<br>£m | % of award |
| <i>Awarded year commencing:</i> |                                    |            |            |            |            |
| 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%       |
| 1 October 2012                  | 1 October 2012 – 30 September 2015 | 2,246      | 25%        | 2,482      | 100%       |

Vesting of the remaining 33.3% of awards made after 7 February 2013 depends on the achievement of the ROCE growth target over the performance period. 25% of that element of the award will vest if the threshold ROCE growth target is met and 100% of that element of the award will vest if the maximum ROCE growth target is met. Awards vest on a straight-line basis between these two points.

| Long Term Incentive Plans       | Performance period                 | Target           |            |                  |            |
|---------------------------------|------------------------------------|------------------|------------|------------------|------------|
|                                 |                                    | Threshold        |            | Maximum          |            |
|                                 |                                    | ROCE<br>% growth | % of award | ROCE<br>% growth | % of award |
| <i>Awarded year commencing:</i> |                                    |                  |            |                  |            |
| 1 October 2012                  | 1 October 2012 – 30 September 2015 | 17.9%            | 25%        | 19.6%            | 100%       |

## 25 Share-based payments continued

The fair value of awards subject to AFCF and ROCE growth performance targets was calculated using the Black-Scholes option pricing model. The vesting probability of each element has been assessed based on a simulation model of the AFCF and ROCE growth forecasts. The AFCF performance targets relating to LTIP awards made in the years commencing 1 October 2008 and 1 October 2009 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 2008 and 1 October 2009 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 2013 was 720.51 pence (2012: 555.05 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2012: 1.1 years).

For the year ended 30 September 2013, LTIP awards were made on 12 February 2013 and 18 February 2013 for which the estimated fair value was 601.42 pence and 608.28 pence respectively. 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. These awards were all made under the terms of the LTIP 2010.

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:

| <b>Assumptions – Long Term Incentive Plans</b> | <b>2013</b>      | <b>2012</b> |
|--|------------------|-------------|
| Expected volatility                            | <b>19.4%</b>     | 28.5%       |
| Risk free interest rate                        | <b>0.5%</b>      | 0.7%        |
| Dividend yield                                 | <b>2.8%</b>      | 3.5%        |
| Expected life                                  | <b>2.6 years</b> | 2.8 years   |
| Weighted average share price at date of grant  | <b>775.13p</b>   | 556.17p     |

### Restricted shares

The following table shows the movement in restricted share awards during the year:

| <b>Restricted shares</b>                         | <b>2013<br/>Number<br/>of shares</b> | <b>2012<br/>Number<br/>of shares</b> |
|--|--------------------------------------|--------------------------------------|
| Outstanding at 1 October                         | <b>119,206</b>                       | 107,500                              |
| Awarded  | <b>35,000</b>                        | 31,706                               |
| Vested and released                              | <b>(35,853)</b>                      | (20,000)                             |
| Outstanding at 30 September                      | <b>118,353</b>                       | 119,206                              |
| Vested and available for release at 30 September | <b>–</b>                             | –                                    |

### Restricted shares (phantom awards)

| <b>Restricted shares (phantom awards)</b>        | <b>2013<br/>Number<br/>of shares</b> | <b>2012<br/>Number<br/>of shares</b> |
|--|--------------------------------------|--------------------------------------|
| Outstanding at 1 October                         | <b>52,460</b>                        | –                                    |
| Awarded  | <b>–</b>                             | 52,460                               |
| Outstanding at 30 September                      | <b>52,460</b>                        | 52,460                               |
| Vested and available for release at 30 September | <b>–</b>                             | –                                    |

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 2013 was £267,000 (2012: £95,000).

# Notes to the consolidated financial statements

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## 25 Share-based payments continued

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

|   | 2013      | 2012      |
|---|-----------|-----------|
| Expected volatility                           | 16.8%     | 27.2%     |
| Risk free interest rate                       | 0.5%      | 0.6%      |
| Dividend yield                                | 2.6%      | 3.4%      |
| Expected life                                 | 1.6 years | 2.4 years |
| Weighted average share price at date of grant | 863.00p   | 574.17p   |

The weighted average share price at the date of release for restricted share awards released during 2013 was 806.36 pence (2012: 654.00 pence).

### Deferred Annual Bonus Plan

Certain executives participate in the Deferred Annual Bonus Plan. Each award comprises two elements. Payment of a portion of the annual bonus awarded to these executives is deferred for three years. The amount released on expiry of the deferral period may be increased subject to achievement of organic revenue, profit growth and personal performance targets. Any amount paid in cash must be immediately reinvested in ordinary shares of the Company which must then be held for a qualifying period.

The second element of the award reflects the growth in the share price over the deferral period assuming that the deferred element of the annual bonus had been invested in ordinary shares of the Company at the start of the deferral period. The fair value of the awards is determined by using the Black-Scholes option pricing model. Any sum payable at the end of the deferral period is paid in cash. The Group has recorded a liability of £1 million (2012: £nil) in respect of this plan.

### 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:

|                             | 2013<br>Number<br>of shares | 2012<br>Number<br>of shares |
|-----------------------------|-----------------------------|-----------------------------|
| Outstanding at 1 October    | 352,953                     | 404,019                     |
| Released                    | –                           | (51,066)                    |
| Outstanding at 30 September | 352,953                     | 352,953                     |

The fair value of bonus shares awarded is calculated using the Black-Scholes option pricing model; however, no new awards were made in either 2013 or 2012.

No awards were released during 2013. The weighted average share price at the date of exercise for share bonus awards released during 2012 was 608.31 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 4.3 years (2012: 5.3 years), the weighted average deferral period being 1.8 years (2012: 2.8 years).

### Income statement expense and carrying value

The Group recognised an expense of £11 million (2012: £11 million) for continuing operations in respect of equity settled share-based payment transactions and £2 million (2012: £nil) in respect of cash settled share-based payment transactions.

## 26 Business combinations

On 31 October 2012, Compass Group Canada Ltd purchased the trade and assets of Nova Services Group, Inc. (Nova) for a consideration of £13 million. Nova is a Toronto based company that provides food and support services to the Business & Industry and Healthcare & Seniors sectors.

On 20 December 2012, Crothall Services Group (Crothall), a US subsidiary of the Group, purchased Clinical Resources for Equipment Support Technology Services, Inc. (CREST), a national leader in medical equipment maintenance. The total purchase price was £27 million which included £10 million of deferred consideration. CREST offers custom clinical and diagnostic equipment maintenance solutions.

In addition to the acquisitions set out above, the Group has also completed a number of smaller infill acquisitions in several countries for a total consideration of £78 million.

|   | Acquisitions     |                  |
|---|------------------|------------------|
|   | Book value<br>£m | Fair value<br>£m |
| <b>Net assets acquired</b>  |                  |                  |
| Contract-related and other intangibles arising on acquisition   | –                | 68               |
| Property, plant and equipment   | 6                | 6                |
| Inventories   | 2                | 2                |
| Trade and other receivables   | 13               | 13               |
| Cash and cash equivalents   | 9                | 9                |
| Trade and other payables  | (17)             | (17)             |
| Deferred tax liabilities  | –                | (2)              |
| Net assets acquired   | 13               | 79               |
| Goodwill arising on acquisition   |                  | 39               |
| Total consideration   |                  | 118              |
| <b>Satisfied by</b>   |                  |                  |
| Cash consideration  |                  | 89               |
| Deferred consideration <sup>1</sup>   |                  | 29               |
|   |                  | 118              |
| <b>Cash flow</b>  |                  |                  |
| Cash consideration  |                  | 89               |
| Cash acquired   |                  | (9)              |
| Acquisition transaction costs   |                  | 3                |
| Net cash outflow arising on acquisition   |                  | 83               |
| Deferred consideration and other payments relating to previous acquisitions                                     |                  | 21               |
| Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings |                  | 104              |

<sup>1</sup> 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.

# Notes to the consolidated financial statements

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## 26 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 2013 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 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, substantially all is expected to be deductible for tax purposes.

Acquisition transaction costs expensed in the year to 30 September 2013, were £3 million (2012: £9 million).

In the period from acquisition to 30 September 2013, the acquisitions contributed revenue of £80 million and operating profit of £5 million to the Group's results.

If the acquisitions had occurred on 1 October 2012, it is estimated that Group revenue for the period would have been £17,577 million and total Group operating profit (including associates) would have been £803 million.

## 27 Reconciliation of operating profit to cash generated by operations

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Reconciliation of operating profit to cash generated by continuing operations</b> |            |            |
| Operating profit from continuing operations  | 792        | 848        |
| <i>Adjustments for:</i>  |            |            |
| Acquisition transaction costs  | 3          | 9          |
| Amortisation of intangible assets  | 118        | 116        |
| Amortisation of intangible assets arising on acquisition                             | 25         | 18         |
| Depreciation of property, plant and equipment  | 181        | 203        |
| Loss on disposal of property, plant and equipment/intangible assets                  | –          | 2          |
| Goodwill impairment  | 377        | 2          |
| Increase/(decrease) in provisions  | (71)       | 174        |
| Decrease in post-employment benefit obligations                                      | (54)       | (54)       |
| Share-based payments – charged to profits  | 12         | 11         |
| Operating cash flows before movement in working capital                              | 1,383      | 1,329      |
| Decrease/(increase) in inventories   | 1          | (4)        |
| Decrease/(increase) in receivables   | 3          | (146)      |
| Increase in payables   | 98         | 214        |
| Cash generated by continuing operations  | 1,485      | 1,393      |

## 28 Cash flow from discontinued operations

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Cash flow from discontinued operations</b>                                  |            |            |
| <b>Net cash from/(used in) operating activities of discontinued operations</b> |            |            |
| Cash utilised from discontinued operations                                     | –          | (8)        |
| Tax paid   | –          | (11)       |
| Net cash from/(used in) operating activities of discontinued operations        | –          | (19)       |
| <b>Net cash from/(used in) investing activities by discontinued operations</b> |            |            |
| Tax on profit of sale on subsidiary companies and associated undertakings      | –          | (24)       |
| Net cash from/(used in) investing activities by discontinued operations        | –          | (24)       |



## 29 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<br>£m |
|---|---------------------------------|-----------------------|---------------------------------|---------------------------------------|----------------------|--|------------------------|----------------|
|   | Cash and cash equivalents<br>£m | Bank overdrafts<br>£m | Bank and other borrowings<br>£m | Total overdrafts and borrowings<br>£m | Finance leases<br>£m | Derivative financial instruments<br>£m | Total gross debt<br>£m |                |
| <b>Net debt</b>   |                                 |                       |                                 |                                       |                      |  |                        |                |
| 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 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)          |
| At 1 October 2012   | 728                             | (58)                  | (1,699)                         | (1,757)                               | (28)                 | 84                                     | (1,701)                | (973)          |
| Net increase/(decrease) in cash and cash equivalents  | 297                             | –                     | –                               | –                                     | –                    | –                                      | –                      | 297            |
| Cash (inflow)/outflow from issue of bonds   | –                               | –                     | (563)                           | (563)                                 | –                    | –                                      | (563)                  | (563)          |
| Cash (inflow)/outflow from other changes in gross debt  | –                               | 40                    | 11                              | 51                                    | –                    | (42)                                   | 9                      | 9              |
| Cash outflow from repayment of obligations under finance leases   | –                               | –                     | –                               | –                                     | 9                    | –                                      | 9                      | 9              |
| Increase in net debt as a result of new finance leases taken out  | –                               | –                     | –                               | –                                     | (2)                  | –                                      | (2)                    | (2)            |
| Currency translation gains/(losses)   | (19)                            | (2)                   | (19)                            | (21)                                  | –                    | 72                                     | 51                     | 32             |
| Acquisitions and disposals (excluding cash)   | –                               | –                     | –                               | –                                     | –                    | –                                      | –                      | –              |
| Other non-cash movements  | –                               | –                     | 46                              | 46                                    | –                    | (48)                                   | (2)                    | (2)            |
| At 30 September 2013  | 1,006                           | (20)                  | (2,224)                         | (2,244)                               | (21)                 | 66                                     | (2,199)                | (1,193)        |
| <b>Other non-cash movements in net debt</b>   |                                 |                       |                                 |                                       |                      |  | 2013<br>£m             | 2012<br>£m     |
| Amortisation of fees and discount on issuance   |                                 |                       |                                 |                                       |                      |  | (2)                    | (2)            |
| Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014 |                                 |                       |                                 |                                       |                      |  | 4                      | 4              |
| Swap monetisation credit  |                                 |                       |                                 |                                       |                      |  | –                      | 2              |
| Changes in the fair value of bank and other borrowings in a designated fair value hedge                       |                                 |                       |                                 |                                       |                      |  | 44                     | (17)           |
| Bank and other borrowings   |                                 |                       |                                 |                                       |                      |  | 46                     | (13)           |
| Changes in the value of derivative financial instruments including accrued income                             |                                 |                       |                                 |                                       |                      |  | (48)                   | 15             |
| Other non-cash movements  |                                 |                       |                                 |                                       |                      |  | (2)                    | 2              |

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 30 Contingent liabilities

### Performance bonds, guarantees and indemnities

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>1</sup> | 414        | 383        |

<sup>1</sup> 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 32.

### 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.

### 31 Capital commitments

| <b>Capital commitments</b>          | <b>2013<br/>£m</b> | 2012<br>£m |
|-------------------------------------|--------------------|------------|
| Contracted for but not provided for | <b>151</b>         | 120        |

The majority of capital commitments are for intangible assets.

### 32 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:

| <b>Operating lease and concessions commitments</b> | 2013                        |                       |                                     | 2012                        |                       |                                     |
|--|-----------------------------|-----------------------|-------------------------------------|-----------------------------|-----------------------|-------------------------------------|
|  | Operating leases            |                       | Other<br>occupancy<br>rentals<br>£m | Operating leases            |                       | Other<br>occupancy<br>rentals<br>£m |
|  | Land and<br>buildings<br>£m | Other<br>assets<br>£m |                                     | Land and<br>buildings<br>£m | Other<br>assets<br>£m |                                     |
| Falling due within 1 year                          | 49                          | 46                    | 55                                  | 52                          | 47                    | 61                                  |
| Falling due between 2 and 5 years                  | 128                         | 61                    | 73                                  | 124                         | 64                    | 85                                  |
| Falling due in more than 5 years                   | 84                          | 6                     | 44                                  | 79                          | 5                     | 57                                  |
| <b>Total</b>                                       | <b>261</b>                  | <b>113</b>            | <b>172</b>                          | 255                         | 116                   | 203                                 |

### 33 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 21. 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.

### 34 Post balance sheet events

There have been no material post balance sheet events.

# Notes to the consolidated financial statements

for the year ended 30 September 2013

## 35 Exchange rates

| <b>Exchange rates<sup>1</sup></b>               | <b>2013</b>   | <b>2012</b> |
|---|---------------|-------------|
| <b>Average exchange rate for year</b>           |               |             |
| Australian Dollar                               | <b>1.58</b>   | 1.53        |
| Brazilian Real                                  | <b>3.30</b>   | 2.99        |
| Canadian Dollar                                 | <b>1.59</b>   | 1.59        |
| Euro  | <b>1.19</b>   | 1.21        |
| Japanese Yen                                    | <b>143.83</b> | 124.35      |
| Norwegian Krone                                 | <b>9.09</b>   | 9.19        |
| South African Rand                              | <b>14.50</b>  | 12.71       |
| Swedish Krona                                   | <b>10.25</b>  | 10.69       |
| Swiss Franc                                     | <b>1.46</b>   | 1.47        |
| Turkish Lira                                    | <b>2.90</b>   | 2.86        |
| UAE Dirham                                      | <b>5.75</b>   | 5.81        |
| US Dollar                                       | <b>1.57</b>   | 1.58        |
| <b>Closing exchange rate as at 30 September</b> |               |             |
| Australian Dollar                               | <b>1.73</b>   | 1.55        |
| Brazilian Real                                  | <b>3.60</b>   | 3.28        |
| Canadian Dollar                                 | <b>1.66</b>   | 1.59        |
| Euro  | <b>1.20</b>   | 1.26        |
| Japanese Yen                                    | <b>158.90</b> | 125.63      |
| Norwegian Krone                                 | <b>9.74</b>   | 9.24        |
| South African Rand                              | <b>16.30</b>  | 13.32       |
| Swedish Krona                                   | <b>10.40</b>  | 10.59       |
| Swiss Franc                                     | <b>1.46</b>   | 1.52        |
| Turkish Lira                                    | <b>3.28</b>   | 2.90        |
| UAE Dirham                                      | <b>5.95</b>   | 5.93        |
| US Dollar                                       | <b>1.62</b>   | 1.61        |

<sup>1</sup> Average rates are used to translate the income statement and cash flow statement. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

## 36 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 are annexed to the annual return each year.

| Principal subsidiaries                                 | Country of incorporation | Principal activities  |
|--|--------------------------|---|
| <b>North America</b>                                   |                          |   |
| Compass Group Canada Ltd                               | Canada                   | Food and support services   |
| Bon Appétit Management Co                              | USA                      | Food service  |
| Compass Group USA Investments Inc                      | USA                      | Holding company   |
| Compass Group USA, Inc                                 | USA                      | Food 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 food service at sports and entertainment facilities |
| Morrison Management Specialists, Inc                   | USA                      | Food service to the healthcare and senior living market             |
| Restaurant Associates Corp                             | USA                      | Fine dining facilities  |
| Wolfgang Puck Catering & Events, LLC (90%)             | USA                      | Fine dining facilities  |
| <b>Europe &amp; Japan</b>                              |                          |   |
| Compass Contract Services (UK) Ltd                     | England & Wales          | Food and support services   |
| Compass Group Holdings PLC                             | England & Wales          | Holding company and corporate activities                            |
| Compass Group, UK & 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          | Food and support services   |
| Hospitality Holdings Ltd <sup>1</sup>                  | England & Wales          | Intermediate holding company  |
| Letheby & Christopher Ltd                              | England & Wales          | Food service for the UK sports and events market                    |
| Scolarest Ltd  | England & Wales          | Food service 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 SAS                               | France                   | Food and support services   |
| Compass Group Deutschland GmbH                         | Germany                  | Holding company   |
| Medirest GmbH & Co OHG                                 | Germany                  | Food service to the healthcare and senior living market             |
| Eurest Deutschland GmbH                                | Germany                  | Food service to business and industry                               |
| Eurest Services GmbH                                   | Germany                  | Support services to business and industry                           |
| Eurest Sports & Food GmbH                              | Germany                  | Food service to the sports and leisure market                       |
| Compass Group Italia S.P.A                             | Italy                    | Food service, support services and prepaid meal vouchers            |
| Seiyo Food – Compass Group, Inc                        | Japan                    | Food and support services   |
| Compass Group International BV                         | Netherlands              | Holding company   |
| Compass Group Nederland BV                             | Netherlands              | Food and support services   |
| Compass Group Nederland Holding BV                     | Netherlands              | Holding company   |
| Eurest Services BV                                     | Netherlands              | Food and support services   |
| Compass Group Holdings Spain, S.L.                     | Spain                    | Holding company   |
| Eurest Colectividades S.L.                             | Spain                    | Food and support services   |
| Compass Group (Schweiz) AG                             | Switzerland              | Food and support services   |
| Restorama AG   | Switzerland              | Food service  |
| <b>Fast Growing &amp; Emerging</b>                     |                          |   |
| Compass Group (Australia) Pty Ltd                      | Australia                | Food and support services   |
| GR SA  | Brazil                   | Food and support services   |
| Compass Group Southern Africa (Pty) Ltd (97.5%)        | South Africa             | Food and support services   |
| Supercare Services Group (Proprietary) Limited (97.5%) | South Africa             | Support services  |
| Sofra Yemek Üretim Ve Hizmet A.S.                      | Turkey                   | Food and support services   |

1 Held directly by the Parent Company.

## Parent Company financial statements

### Directors' responsibilities

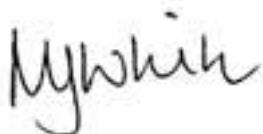
The Annual Report and Accounts complies with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce an annual financial report.

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

27 November 2013

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 judgements 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.

# Parent Company balance sheet

for the year ended 30 September 2013

| Compass Group PLC  | Notes | 2013<br>£m   | 2012<br>£m   |
|--|-------|--------------|--------------|
| <b>Fixed assets</b>  |       |              |              |
| Investments  | 2     | 976          | 968          |
| <b>Current assets</b>  |       |              |              |
| Debtors: Amounts falling due within one year                   | 3     | 8,992        | 8,127        |
| Debtors: Amounts falling due after more than one year          | 3     | 62           | 85           |
| Cash at bank and in hand                                       |       | 672          | 417          |
| Current assets   |       | 9,726        | 8,629        |
| <b>Creditors: Amounts falling due within one year</b>          |       |              |              |
| Creditors: Amounts falling due within one year                 | 4     | (6,425)      | (5,846)      |
| <b>Net current assets</b>                                      |       |              |              |
| Net current assets   |       | 3,301        | 2,783        |
| <b>Total assets less current liabilities</b>                   |       |              |              |
| Total assets less current liabilities                          |       | 4,277        | 3,751        |
| <b>Creditors: Amounts falling due after more than one year</b> |       |              |              |
| Creditors: Amounts falling due after more than one year        | 4     | (2,142)      | (1,678)      |
| Provisions for liabilities and charges                         | 5     | (28)         | (28)         |
| <b>Net assets</b>  |       |              |              |
| Net assets   |       | 2,107        | 2,045        |
| <b>Capital and reserves</b>                                    |       |              |              |
| Share capital  | 8, 9  | 180          | 186          |
| Share premium account  | 9     | 400          | 386          |
| Capital redemption reserve                                     | 9     | 55           | 49           |
| Share-based payment reserve                                    | 9     | 162          | 156          |
| Profit and loss reserve  | 9     | 1,310        | 1,268        |
| <b>Total equity</b>  |       | <b>2,107</b> | <b>2,045</b> |

Approved by the Board of Directors on 27 November 2013 and signed on their behalf by

**Richard J Cousins**, Director  
**Dominic Blakemore**, Director

# Parent Company accounting policies

for the year ended 30 September 2013

## 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 Director's statement on page 44.

### B Exemptions

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2013. 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 2013 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 2013.

### D Investments in subsidiary undertakings

Investments are stated at cost less provision for any impairment. In the opinion of the Directors, the value of such investments is not less than 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 25 to the consolidated financial statements.



# Notes to the Parent Company financial statements

for the year ended 30 September 2013

## 1 Profit and loss account disclosures

The Company profit on ordinary activities after tax was £892 million (2012: £779 million).

The fee for the audit of the Company's annual financial statements was £0.4 million (2012: £0.4 million).

The Company had no direct employees in the course of the year (2012: none).

## 2 Investments in subsidiary undertakings

|   | 2013<br>£m | 2012<br>£m |
|---|------------|------------|
| <b>Investments in subsidiary undertakings</b>     |            |            |
| <b>Cost</b>                                       |            |            |
| At 1 October                                      | 969        | 962        |
| Additions   | –          | –          |
| Share-based payments to employees of subsidiaries | 13         | 11         |
| Recharged to subsidiaries during the year         | (5)        | (4)        |
| At 30 September                                   | 977        | 969        |
| <b>Provisions</b>                                 |            |            |
| At 1 October                                      | 1          | 1          |
| Additions   | –          | –          |
| At 30 September                                   | 1          | 1          |
| <b>Net book value</b>                             |            |            |
| At 30 September                                   | 976        | 968        |

The principal subsidiary undertakings are listed in note 36 to the consolidated financial statements.

## 3 Debtors

|   | 2013                                  |  |             | 2012                                  |  |             |
|---|---------------------------------------|--|-------------|---------------------------------------|--|-------------|
|   | Falling due<br>within<br>1 year<br>£m | Falling due<br>after more<br>than 1 year<br>£m | Total<br>£m | Falling due<br>within<br>1 year<br>£m | Falling due<br>after more<br>than 1 year<br>£m | Total<br>£m |
| <b>Debtors</b>                            |                                       |  |             |                                       |  |             |
| Amounts owed by subsidiary undertakings   | 8,984                                 | –  | 8,984       | 8,125                                 | –  | 8,125       |
| Derivative financial instruments (note 7) | 7                                     | 62   | 69          | 1                                     | 84   | 85          |
| Current taxation                          | 1                                     | –  | 1           | 1                                     | –  | 1           |
| Deferred taxation                         | –                                     | –  | –           | –                                     | 1  | 1           |
| Total                                     | 8,992                                 | 62   | 9,054       | 8,127                                 | 85   | 8,212       |

|                                       | 2013<br>Net<br>short term<br>temporary<br>differences<br>£m | 2012<br>Net<br>short term<br>temporary<br>differences<br>£m |
|---------------------------------------|---|---|
| <b>Movement in deferred tax asset</b> |   |   |
| At 1 October                          | 1   | 1   |
| Charged to profit and loss account    | (1)   | –   |
| At 30 September                       | –   | 1   |

The deferred taxation asset arises on certain derivative financial instruments and will be recovered no later than the maturity dates of these instruments.

# Notes to the Parent Company financial statements

for the year ended 30 September 2013

## 4 Creditors

|   | 2013                         |                                       |              | 2012                         |                                       |              |
|---|------------------------------|---------------------------------------|--------------|------------------------------|---------------------------------------|--------------|
|   | Falling due within 1 year £m | Falling due after more than 1 year £m | Total £m     | Falling due within 1 year £m | Falling due after more than 1 year £m | Total £m     |
| <b>Creditors</b>                          |                              |                                       |              |                              |                                       |              |
| Bank overdrafts                           | 229                          | –                                     | 229          | 263                          | –                                     | 263          |
| Bank loans                                | –                            | 298                                   | 298          | –                            | 48                                    | 48           |
| Bank overdrafts and loans (note 6)        | 229                          | 298                                   | 527          | 263                          | 48                                    | 311          |
| Loan notes                                | 74                           | 1,074                                 | 1,148        | –                            | 871                                   | 871          |
| Bonds                                     | –                            | 769                                   | 769          | –                            | 757                                   | 757          |
| Loan notes and bonds (note 6)             | 74                           | 1,843                                 | 1,917        | –                            | 1,628                                 | 1,628        |
| Derivative financial instruments (note 7) | 3                            | 1                                     | 4            | 3                            | 2                                     | 5            |
| Accruals and deferred income              | 50                           | –                                     | 50           | 47                           | –                                     | 47           |
| Amounts owed to subsidiary undertakings   | 6,069                        | –                                     | 6,069        | 5,533                        | –                                     | 5,533        |
| <b>Total</b>                              | <b>6,425</b>                 | <b>2,142</b>                          | <b>8,567</b> | <b>5,846</b>                 | <b>1,678</b>                          | <b>7,524</b> |

The Company has fixed term, fixed interest private placements totalling US\$1,782 million (£1,100 million) at interest rates between 3.09% and 6.72%. The carrying value of these loan notes is £1,111 million. The Company also has a Sterling denominated private placement of £35 million with a carrying value of £36 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     | \$200m        | Sep 2020   | 3.09%    |
| US\$ private placement     | \$398m        | Oct 2021   | 3.98%    |
| US\$ private placement     | \$352m        | Oct 2023   | 4.12%    |
| US\$ private placement     | \$300m        | Sep 2025   | 3.81%    |

The Company also 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 £772 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

|                                    | Legal and other claims<br>£m |
|------------------------------------|------------------------------|
| <b>Provisions</b>                  |                              |
| At 1 October 2011                  | –                            |
| Charged to profit and loss account | 28                           |
| At 30 September 2012               | 28                           |
| At 1 October 2012                  | <b>28</b>                    |
| Charged to profit and loss account | –                            |
| At 30 September 2013               | <b>28</b>                    |

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:

|                             | 2013                                  |                                  |                                |          | 2012                                  |                                  |                                |          |
|-----------------------------|---------------------------------------|----------------------------------|--------------------------------|----------|---------------------------------------|----------------------------------|--------------------------------|----------|
|                             | Bank overdrafts and loans (note 4) £m | Loan notes and bonds (note 4) £m | Other <sup>1</sup> (note 7) £m | Total £m | Bank overdrafts and loans (note 4) £m | Loan notes and bonds (note 4) £m | Other <sup>1</sup> (note 7) £m | Total £m |
| <b>Maturity</b>             |                                       |                                  |                                |          |                                       |                                  |                                |          |
| Between 1 and 2 years       | –                                     | 259                              | (18)                           | 241      | –                                     | 76                               | (3)                            | 73       |
| Between 2 and 5 years       | 298                                   | 140                              | (19)                           | 419      | 48                                    | 410                              | (37)                           | 421      |
| In more than 5 years        | –                                     | 1,444                            | (24)                           | 1,420    | –                                     | 1,142                            | (42)                           | 1,100    |
| In more than 1 year         | 298                                   | 1,843                            | (61)                           | 2,080    | 48                                    | 1,628                            | (82)                           | 1,594    |
| Within 1 year, or on demand | 229                                   | 74                               | (4)                            | 299      | 263                                   | –                                | 2                              | 265      |
| Total                       | 527                                   | 1,917                            | (65)                           | 2,379    | 311                                   | 1,628                            | (80)                           | 1,859    |

1 Other includes the debtor and creditor amounts associated with derivative financial instruments (note 7).

## 7 Derivative financial instruments

|   | 2013                         |                                   | 2012                         |                                   |
|---|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
|   | Financial assets (note 3) £m | Financial liabilities (note 4) £m | Financial assets (note 3) £m | Financial liabilities (note 4) £m |
| <b>Derivative financial instruments</b>             |                              |                                   |                              |                                   |
| <b>Interest rate swaps</b>                          |                              |                                   |                              |                                   |
| Fair value hedges                                   | 43                           | (1)                               | 84                           | –                                 |
| Not in a hedging relationship                       | –                            | (1)                               | –                            | (3)                               |
| <b>Other</b>  |                              |                                   |                              |                                   |
| Forward currency contracts and cross currency swaps | 26                           | (2)                               | 1                            | (2)                               |
| Derivative financial instruments                    | 69                           | (4)                               | 85                           | (5)                               |

## 8 Share capital

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 24 and 25 to the consolidated financial statements.

# Notes to the Parent Company financial statements

for the year ended 30 September 2013

## 9 Capital and reserves

|  | Share capital<br>£m | Share premium<br>account<br>£m | Capital<br>redemption<br>reserve<br>£m | Share-based<br>payment<br>reserve<br>£m | Profit<br>and loss<br>reserve<br>£m | Total<br>£m  |
|--|---------------------|--------------------------------|--|---|-------------------------------------|--------------|
| <b>Capital and reserves</b>                          |                     |                                |  |   |                                     |              |
| 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        |
| At 1 October 2012                                    | <b>186</b>          | <b>386</b>                     | <b>49</b>                              | <b>156</b>                              | <b>1,268</b>                        | <b>2,045</b> |
| Issue of shares (for cash)                           | –                   | 9                              | –                                      | –                                       | –                                   | 9            |
| Repurchase of ordinary share capital                 | (6)                 | –                              | 6                                      | –                                       | (446)                               | (446)        |
| Fair value of share-based payments                   | –                   | –                              | –                                      | 11                                      | –                                   | 11           |
| Release of LTIP award settled by issue of new shares | –                   | 5                              | –                                      | (5)                                     | –                                   | –            |
| Dividends paid to Compass shareholders               | –                   | –                              | –                                      | –                                       | (404)                               | (404)        |
| Profit for the financial year                        | –                   | –                              | –                                      | –                                       | 892                                 | 892          |
| At 30 September 2013                                 | <b>180</b>          | <b>400</b>                     | <b>55</b>                              | <b>162</b>                              | <b>1,310</b>                        | <b>2,107</b> |

## 10 Contingent liabilities

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Contingent liabilities</b>  |            |            |
| Guarantees and indemnities (including subsidiary undertakings' overdrafts) | <b>399</b> | 363        |

Details regarding certain contingent liabilities which involve the Company are set out in note 30 to the consolidated financial statements.

# Shareholder information

## Shareholder information

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# Shareholder information

## Registrar

All matters relating to the administration of shareholdings in the Company should be directed to Capita Asset Services, 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](mailto:ssd@capitaregistrars.com).

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by Capita Asset Services (the Registrar), at [www.capitashareportal.com](http://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 the Registrar (through [www.capitashareportal.com](http://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](http://www.capitashareportal.com) or write to Capita Asset Services.

## 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/ar13](http://www.compass-group.com/ar13).

## 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 Asset Services' global payments service. Details and terms and conditions may be viewed at [www.capitaregistrars.com/international](http://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](http://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](mailto:shares@capitaregistrars.com).

**The latest date for receipt of new applications to participate in respect of the 2013 final dividend is 30 January 2014.**

## Share price information

The current price of the Company's shares is available on the Company's website at [www.compass-group.com](http://www.compass-group.com). This is supplied with a 15 minute delay to real time.

## Share dealing

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, the Company's Registrar, Capita Asset Services, 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](http://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](http://www.sharegift.org), telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737, or from the Registrar.

## American Depositary Receipts

BNY Mellon (BNY) maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary shares, you should contact BNY Mellon, Shareowner Services, PO Box 358516, Pittsburgh, PA 15252-8516, USA. Further information can be found on BNY's website at [www.adrbnymellon.com](http://www.adrbnymellon.com) using the symbol CMPGY and on the Company's website at [www.compass-group.com](http://www.compass-group.com).

## Unsolicited mail

We are legally obliged to make our register of members available to the public, subject to a proper purpose test. As a consequence of this some Shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, FREEPOST 29 LON20771, London W1E 0ZT. Shareholders can also register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk) or request an application form by calling from within the UK: 0845 703 4599 or by email to [mps@dma.org.uk](mailto:mps@dma.org.uk).

## Identity theft

Advice on protecting your Compass Group PLC shares:

- Keep all Compass correspondence in a safe place, or destroy correspondence by shredding
- When changing address, inform the Registrar, Capita Asset Services. If a letter from Capita Asset Services is received regarding a change of address and you have not moved, contact the Registrar immediately
- Consider having your dividends paid directly into your bank or building society account. This will reduce the risk of the cheque being intercepted or lost in the post. You can complete a Request for Payment of Interest or Dividends Form available from [www.compass-group.com](http://www.compass-group.com) and send it to the Registrar or register online at [www.capitaregistrars.com/shareholders](http://www.capitaregistrars.com/shareholders) using the Share Portal service. Additional information can be obtained from the Registrar
- On changing your bank or building society account, inform the Registrar of the details of the new account and respond to any letters Capita Asset Services send you about this
- When buying or selling shares deal only with brokers registered in your country of residence or the UK

## Warning about share fraud

Fraudsters use persuasive and high pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

Whilst high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

Around 5,000 people contact the Financial Conduct Authority (FCA) about share fraud each year, with victims losing an average of £20,000.

### How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation. Note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register at [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or if you are told they are out of date.
7. Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

## Report a scam

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams, or call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

## Financial calendar

### Ex-dividend date for 2013 final dividend

22 January 2014

### Record date for 2013 final dividend

24 January 2014

### 2014 Annual General Meeting

6 February 2014

### 2013 final dividend payment

24 February 2014

### Half year financial results

14 May 2014\*

### Ex-dividend date for 2014 interim dividend

25 June 2014\*

### Record date for 2014 interim dividend

27 June 2014\*

### 2014 interim dividend payment

28 July 2014\*

\* Provisional dates

# Notice of Annual General Meeting

## This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Compass Group PLC, please send this Notice and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**Notice is hereby given that the thirteenth 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, 6 February 2014 at 12 noon in order to transact the following business:**

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 18 to 20 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 2013.
2. To receive and adopt the Remuneration Policy set out on pages 57 to 64 of the Directors' Remuneration Report contained within the Annual Report and Accounts for the financial year ended 30 September 2013, such Remuneration Policy to take effect from the date on which this Resolution is passed.
3. To receive and adopt the Directors' Remuneration Report (other than the Remuneration Policy referred to in Resolution 2 above) contained within the Annual Report and Accounts for the financial year ended 30 September 2013.
4. To declare a final dividend of 16 pence per ordinary share in respect of the financial year ended 30 September 2013.
5. To elect Paul Walsh as a Director of the Company.
6. To re-elect Dominic Blakemore as a Director of the Company.
7. To re-elect Richard Cousins as a Director of the Company.
8. To re-elect Gary Green as a Director of the Company.
9. To re-elect Andrew Martin as a Director of the Company.
10. To re-elect John Bason 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 £100,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £100,000.
- Any terms used in this Resolution which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution 16.
17. 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, 5 May 2015; for that period the section 551 amount shall be £59,913,600 and, in addition, the section 551 amount shall be increased by £59,913,600, provided that the Directors' power in respect of such latter amount shall only be used in connection with a rights issue:
  - 17.1 to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - 17.2 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

18. To renew, subject to the passing of Resolution 17 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, 5 May 2015 and for that period the section 561 amount is £8,987,040.
19. 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:
- 19.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 179,740,800;
- 19.2 the minimum price (excluding expenses) which may be paid for each ordinary share is 10 pence;
- 19.3 the maximum price (excluding expenses) which may be paid for each ordinary share in respect of a share contracted to be purchased on any day, does not exceed the higher of (1) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (2) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and
- 19.4 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 5 August 2015, 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).
20. 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 2013

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 2013.

#### Resolution 2 – Remuneration Policy

Shareholders are requested to approve the Remuneration Policy. The Remuneration Policy is set out on pages 57 to 64 of the Directors' Remuneration Report contained within the 2013 Annual Report and Accounts.

In accordance with section 439A of the Companies Act (the CA 2006), a new requirement has been introduced for a separate Resolution on the Remuneration Policy part of the Directors' Remuneration Report to be put to a vote by Shareholders. The vote is binding which means that payments cannot be made under the Policy until it has been approved by Shareholders.

The Policy Report must be put to Shareholders at least every three years, unless during that time it is to be changed. The Company currently intends to submit the Policy for approval by Shareholders on an annual basis.

#### Resolution 3 – Directors' Remuneration Report

In accordance with section 439 of the CA 2006, Shareholders are requested to approve the Directors' Remuneration Report. The Directors' Remuneration Report is set out on pages 55 to 70 of the 2013 Annual Report and Accounts. The vote is advisory.

#### Resolution 4 – Final Dividend

The final dividend for the year ended 30 September 2013 will be paid on 24 February 2014 to Shareholders on the register at the close of business on 24 January 2014, subject to Shareholder approval.

#### Resolutions 5 to 13 – Election and Re-election of Directors

Biographical details of all the Directors standing for re-election appear on pages 8 and 9 of the 2013 Annual Report.

In line with the provisions of the Company's Articles of Association, Paul Walsh, who was appointed by the Board since the date of the last AGM, will submit himself for election by Shareholders. Details of Mr Walsh's appointment are given on page 64.

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.

Having conducted an external evaluation during the year, it is the view of the Chairman that the performance of each of the Directors continues to be effective and that each Director demonstrates commitment to the role and has sufficient time to meet his or her commitment to the Company.

#### Resolutions 14 and 15 – Auditor

The Auditor is appointed at every general meeting at which accounts are presented to Shareholders. The current appointment of 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.

# Notice of Annual General Meeting

## 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 2015 (when the Directors intend to renew this authority) to make donations and incur expenditure which might otherwise be caught by the terms of the CA 2006, up to an aggregate amount of £100,000 for the Company and for subsidiary companies. The financial limit has been reduced from £125,000 last year.

## Resolution 17 – Directors' Authority to Allot Shares

The purpose of Resolution 17 is to renew the Directors' power to allot shares. Resolution 17.1 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 £59,913,600. This represents 599,136,000 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 2013 (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 2015, or 5 May 2015, whichever is earlier.

In accordance with the Association of British Insurers Allotment Guidelines (the Guidelines), Resolution 17.2 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 £59,913,600 (representing 599,136,000 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.

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 17 is equal to approximately two thirds of the issued ordinary share capital of the Company as at 1 December 2013, being the last practicable date prior to publication of this Notice.

*Resolutions 1 to 17 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 18 – 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 18 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 £8,987,040.

This represents 89,870,400 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 2013 (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 2015 or on 5 May 2015, 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 17 and 18 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 19 – 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 179,740,800 shares (just under 10% of the issued ordinary share capital as at 1 December 2013, being the last practicable date prior to the publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this Resolution will expire at the conclusion of the Company's next AGM or 18 months from the passing of this Resolution, whichever is the earlier.

The CA 2006 permits the Company to hold shares repurchased as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of 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 £400 million share repurchase programme to be completed by the end of December 2013. On 27 November 2013, the Company announced its intention to commence a further £500 million share repurchase programme, to be executed over the 12 month period to the end of December 2014. 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 2013 (being the last practicable date prior to the publication of this Notice), there were options to subscribe for ordinary shares issued by the Company outstanding over approximately 23,384,535 shares which represent 1.30% 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 1.45% of the Company's issued ordinary share capital (excluding treasury shares).

## Resolution 20 – 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, under the Companies (Shareholders' Rights) Regulations 2009 (the Regulations) all general meetings must be held on 21 days' notice, unless Shareholders agree to a shorter notice period, and the Company has met the requirements for electronic voting under the Regulations. This Resolution seeks to renew the authority granted by Shareholders at last year's AGM which preserved the Company's ability to call general meetings, other than AGMs, on 14 clear 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 18 to 20 will be proposed as special resolutions and require that at least three quarters of the votes cast must be in favour of a resolution for it to be passed.*

### Recommendation

The Directors consider that each of the Resolutions is in the best interests of the Company and the Shareholders as a whole and, accordingly, recommend that all Shareholders vote in favour of all Resolutions, as the Directors intend to do in respect of their own holdings.

## Important information

### Proxies

- (i) A Shareholder entitled to attend and vote at the AGM may appoint a proxy or proxies (who need not be a shareholder of the Company) to exercise all or any of his or her rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

Proxies may only be appointed by:

- 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](http://www.capitashareportal.com) and following the instructions for electronic submission provided there; or
- having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members). Please refer to the CREST manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)) for further information.

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 Company's Registrar by 12 noon on Tuesday, 4 February 2014.

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, 4 February 2014. 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, 4 February 2014 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 4 February 2014 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 sections 338 and section 338A of the CA 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 2013, 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.

# Notice of Annual General Meeting

## Right to ask questions

Under section 319A of the CA 2006, Shareholders have the right to ask questions at the AGM relating to the business of the Meeting and for these to be answered, unless such answer would interfere unduly with the business of the Meeting, involve the disclosure of confidential information, if the answer has already been published on the Company's website or if it is not in the interests of the Company or the good order of the Meeting that the question be answered.

## Website publication of audit concerns

Under section 527 of the CA 2006, Shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be submitted to the Meeting or any circumstances connected to the Company's Auditor who ceased to hold office since the last AGM. The Company will publish the statement if sufficient requests have been received in accordance with section 527(2) of the CA 2006 which, broadly, requires a minimum of 100 Shareholders holding an average of 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 and the Register of Directors' Interests will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey KT16 9BQ, 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 2013 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprised 1,797,408,211 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 2013 were 1,797,408,211.

## Information available on website

The following information is available on the Company's website at [www.compass-group.com](http://www.compass-group.com):

- (i) The matters set out in this Notice of Meeting;
- (ii) The total voting rights and number of shares of each class in respect of which Shareholders are entitled to exercise voting rights at the AGM;
- (iii) Shareholders' rights to include business to be dealt with at the AGM; and
- (iv) Shareholders' statements, resolutions and matters of business received by the Company after 20 December 2013.

## 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. Details of how to get to the venue may be found at [www.qeiicc.co.uk](http://www.qeiicc.co.uk).

## 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 2013 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 at 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.

Whomever you appoint as a proxy can vote or abstain from voting as he or she decides on any other business, which may validly come before the AGM. This includes proxies appointed using the CREST service. Details of how to complete the appointment of a proxy either electronically or on paper are given in the notes to this Notice.

### Venue arrangements

For your personal safety and security, all hand baggage may be subject to examination. Please note that electronic devices such as cameras and recording equipment may not be brought into the AGM. A cloakroom will be available to deposit coats and bulky items.

A sign language interpreter will attend the AGM and a sound amplification/hearing loop will be available in the meeting room.

There is wheelchair access. Anyone accompanying a Shareholder in need of assistance will be admitted to the AGM. If any Shareholder with a disability has any 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 2014.

Security staff will be on duty to assist Shareholders. The Company will not permit behaviour that may interfere with another person's security, safety or the good order of the AGM.

Please ensure that mobile phones are switched off throughout the AGM.

Tea and coffee will be available before the Meeting and light refreshments will be served afterwards.

### Shareholder enquiries

Capita Asset Services maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

### American Depositary Receipt enquiries

BNY Mellon maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary shares, you should contact BNY Mellon, Shareowner Services, 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 2013 in an appropriate alternative format, such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Our 2013 Annual Report is available at [www.compass-group.com/ar13](http://www.compass-group.com/ar13). The full Report and individual sections, including this Notice, can be downloaded in PDF format.

## 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 Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.



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**Compass Group PLC**

Compass House  
Guildford Street  
Chertsey  
Surrey KT16 9BQ  
United Kingdom

Registered in England and Wales No. 4083914

T +44 1932 573 000  
F +44 1932 569 956

Find this Report online at  
[www.compass-group.com/ar13](http://www.compass-group.com/ar13)