COMPASS GROUP

Annual results announcement for the year ended 30 September 2012

Continued growth; positioning business well for future opportunities

	Underlying[1]	Year on year change[2]	Reported
Revenue	£16.9 billion	+8%	£16.9 billion
Operating profit	£1,178 million	+9%	£856 million
Profit before tax	£1,093 million	+7%	£789 million
Earnings per share	42.6 pence	+10%	32.1 pence
Free cash flow	£760 million	+10%	£709 million
Full year dividend	21.3 pence	+10%	21.3 pence

[1] The underlying column excludes European exceptional and other non-underlying items. Full details can be found on pages 9-10.
[2] Measured on a constant currency basis, excluding free cash flow and full year dividend.

Strong top line growth and significant further efficiencies generated.

- Constant currency revenue increased by 8%; organic revenue growth of 5.4%.
- Strong performances in North America and Fast Growing & Emerging, driven by good levels of net new business.
- Efficiencies reinvested to drive growth and helping to manage challenging economic conditions in Europe.
- Cost reduction plans in Europe progressing well.

Further returns to shareholders; new £400 million buyback announced for 2013.

- Another year of strong cash flow generation, which has enabled us to invest in the business and acquisitions, and reward shareholders.
- Full year dividend increased by 10% to 21.3 pence.
- On track to complete existing £500 million share buyback.

Future prospects of the Group remain encouraging.

- Positive outlook in North America and Fast Growing & Emerging, combined with action plans in Europe, underpin expectations for 2013.
- Well placed to exploit significant growth opportunities in food and support services globally and deliver further margin progression.

Richard Cousins, Group Chief Executive, said:

"Compass has continued to perform well. We've seen particularly good trading in North America and the Fast Growing & Emerging markets and the outlook in both regions is encouraging. The fundamentals of our European businesses remain solid and the decisive actions we're taking to improve operational efficiency are progressing well. We've continued to generate significant cost efficiencies across the Group, which are enabling us to reinvest for growth and manage the difficult economic conditions in Europe. Overall, the prospects for the business around the world are good and I remain confident that we will continue to drive revenue and margin growth."

Sir Roy Gardner, Chairman, said:

"The Group has had another strong year with good levels of revenue and profit growth. The strength of our cash flow has also enabled us to invest in the business to drive organic growth, as well as make infill acquisitions and reward shareholders. Looking forward, Compass is well placed to exploit the significant growth opportunities that we see in many of our markets. The future prospects of the Group have given us the confidence to increase the final dividend by 10% and to announce a further £400 million share buyback over the 2013 calendar year."

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Chief Executive's Statement[1]

Group overview

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

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

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

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

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

Regional performances

North America – 44.5% Group revenue (2011: 43.2%)

Regional financial summary	**2012**	2011	Change
Revenue (reported)	**£7,517m**	£6,849m	9.8%
Operating profit (underlying)	**£598m**	£538m	11.2%
Operating profit (constant currency)	**£598m**	£545m	9.7%
Operating margin	**8.0%**	7.9%	10bps

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

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

[1] All prior year financial results are quoted on a constant currency basis unless stated otherwise.

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

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

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

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

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

Europe & Japan – 36.9% Group revenue (2011: 39.3%)

Regional financial summary	**2012**	2011	Change
Revenue (reported)	**£6,243m**	£6,217m	0.4%
Operating profit (underlying)	**£397m**	£400m	(0.7)%
Operating profit (constant currency)	**£397m**	£389m	2.1%
Operating margin	**6.4%**	6.4%	-

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

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

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

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

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

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

Fast Growing & Emerging – 18.6% Group revenue (2011: 17.5%)

Regional financial summary	**2012**	2011	Change
Revenue (reported)	**£3,145m**	£2,767m	13.7%
Operating profit (underlying)	**£235m**	£207m	13.5%
Operating profit (constant currency)	**£235m**	£203m	15.8%
Operating margin	**7.5%**	7.5%	-

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

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

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

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

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

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

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

Strategy

Focus on food

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

Growing support and multi services

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

Geographic spread and emerging markets

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

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

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

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

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

Organic growth, supplemented by M&A

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

Ongoing drive for efficiencies

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

Uses of cash and balance sheet priorities

The Group's cash flow generation remains excellent and it will continue to be a key part of the model. It enables us to reward shareholders in parallel with reinvesting for growth and making infill acquisitions. Our commitment to an efficient balance sheet remains strong and we continue to target strong

Chief Executive's Statement (continued)

investment grade credit ratings, which we see as Baa1 with Moody's and A- with Standard & Poor's. In light of this, we have today announced a further £400 million share buyback programme for the 2013 calendar year. This will follow the current £500 million share buyback, which we expect to complete by the end of the 2012 calendar year. In addition, we remain committed to growing the dividend broadly in line with constant currency earnings and maintaining a cash cover of two times.

Summary and outlook

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

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

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

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

Richard Cousins

Richard Cousins
Group Chief Executive
21 November 2012

Financial Summary

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

Business Review (continued)

Segmental Performance

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

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

(1) Unless stated otherwise the data shown on pages 1 – 13 relates to the continuing business only.
(2) Constant currency restates the prior year results to 2012's average exchange rates.
(3) Total operating profit includes share of profit of associates.
(4) Underlying operating profit and margin excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, and adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, and gain on remeasurement of joint venture interest on acquisition of control.
(5) Operating margin is based on revenue and operating profit excluding share of profit of associates.
(6) Underlying net finance cost excludes hedge accounting ineffectiveness and the change in the fair value of investments and non-controlling interest put options.
(7) Underlying profit before tax excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, gain on remeasurement of joint venture interest on acquisition of control, hedge accounting ineffectiveness, and the change in fair value of investments and non-controlling interest put options.
(8) Underlying basic earnings per share excludes European exceptional cost, UK re-organisation costs, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, gain on the disposal of US Corrections business, gain on remeasurement of joint venture interest on acquisition of control, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options, the tax attributable to these and exceptional recognition of tax losses.
(9) Underlying cash flow adjusts for the £31million one-off cash outflow in respect of non-recurring historic tax issues and £20 million of European exceptional cash costs in the current year.
(10) 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.

Revenue

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

Operating Profit

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

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

European Exceptional

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

Finance Costs

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

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

Other Gains and Losses

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

Profit Before Tax

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

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

Income Tax Expense

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

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

Discontinued Operations

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

Basic Earnings per Share

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

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

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

Dividends

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

Free Cash Flow

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

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

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

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

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

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

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

Acquisition Payments

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

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

Disposals

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

Purchase of Own Shares

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

Proceeds from Issue of Share Capital

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

Return on Capital Employed

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

Pensions

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

The Group's total pension fund deficit at 30 September 2012 was £361 million (2011: £292 million). The total pensions charge for defined contribution schemes in the year was £77 million (2011: £58 million) and £32 million

(2011: £35 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £15 million charge to net finance cost (2011: £14 million).

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

Risks and Uncertainties

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

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out in the section headed ‘Focus on Risk’ on page 15.

Shareholder Return

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

Related Party Transactions

Details of transactions with related parties are set out in note 34. 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 £12,680 million as at 30 September 2012 was 8% (2011: 8%).

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

Going Concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 21 includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with longer-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Dominic Blakemore
Group Finance Director
21 November 2012

The identification of risks and opportunities is a core activity throughout the Group.

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

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

The identification of risks and opportunities, the development of action plans to manage the risks and exploit the opportunities, and the continual monitoring of progress against agreed Key Performance Indicators is an integral part of the business process, and a core activity throughout the Group.

Our process for identifying and managing risks is set out in detail in the Corporate Governance section of the Annual Report.

The table sets out the principal risks and uncertainties facing the business at the date of this Announcement. 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 Announcement may also have an adverse effect on the Group.

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

Health, safety and environment		
Risk: **Health and safety**	Risk: **Food safety**	Risk: **Environment**
Mitigation: There is potential for accidents in the workplace. Health and safety is our number one operational priority. All management meetings throughout the Group feature a health and safety update as their first agenda item.	Mitigation: Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene and safety is paramount. The Group has appropriate policies, processes and training procedures in place to ensure full compliance with legal obligations and industry standards.	Mitigation: Every day, everywhere, we look to make a positive contribution to the health and wellbeing of our consumers, the communities we work in and the world we live in. Our Corporate Responsibility statement in the Annual Report describes our approach in more detail.
Clients and consumers		
Risk: **Client retention**	Risk: **Service delivery and compliance with contract terms and conditions**	Risk: **Changes in client demand and consumer preferences**
Mitigation: We have strategies which strengthen our long-term relationships with our clients based on quality and value. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.	Mitigation: The Group's operating companies contract with a large number of clients. Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the appropriate contract terms and conditions.	Mitigation: We strive to meet client and consumer demand for quality, choice and value by developing innovative and nutritious food offers which suit the lifestyle, tastes and spending power of our customers in today's challenging economic environment.
Risk: **Consolidation of food and support services**	Risk: **Bidding risk**	Risk: **Credit risk**
Mitigation: We have developed a range of support services to complement our existing food offer. These services are underpinned by the Compass Service Framework, our standard operating platform for support services, which gives us the ability to deliver to a consistent world-class standard globally and differentiates us from our competitors.	Mitigation: Each year, the Group's operating companies bid selectively for large numbers of contracts and a more limited number of concession opportunities. A rigorous tender process is in place which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards prior to approval at an appropriate level in the organisation.	Mitigation: Given the diverse and unrelated nature of the Group's client base, there is limited concentration of credit risk with regard to trade receivables. The Company continues to monitor its creditor base and the ability of clients to comply with payment terms in light of the impact of austerity measures arising from the global economic slowdown.

Focus on Risk (continued)

People		
Risk: **Recruitment**	Risk: **People retention and motivation**	Risk: **Succession Planning**
Mitigation: Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience, appropriately qualified people and the seasonal nature of some of our business. However, the Group aims to mitigate this risk by efficient, time-critical resource management, mobilisation of existing, experienced employees within the organisation and through its training and development programmes, to meet its strategic aims.	Mitigation: Retaining and motivating the best people with the right skills is key to the long-term success of the Group. The Group has established training, development, performance management and reward programmes to develop, retain and motivate our best people. The Group has a well-established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.	Mitigation: Succession planning is one of the key roles of the Board, to identify and develop employees' potential and to ensure that immediate and future resource is available for the Group to achieve its strategic and operational objectives. The Nomination Committee is responsible for making recommendations to the Board as a whole in respect of Board succession. Details can be found within the Annual Report.
Economic environment		
Risk: **Economy**	Risk: **Food cost inflation**	Risk: **Labour cost inflation**
Mitigation: Almost half of our business, the Healthcare & Seniors, Education and Defence, Offshore & Remote sectors, is less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to economic conditions and employment levels. However, with the variable and flexible nature of our cost base, it is generally possible to contain the impact of like for like volume declines.	Mitigation: As part of our MAP programme, 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.	Mitigation: Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP programme, we have been deploying tools and processes to optimise labour productivity and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.
Eurozone		
Risk: **Operating performance**	Risk: **Liquidity risk**	
Mitigation: Recent conditions in the eurozone indicate that growth rates and consumer demand will remain under pressure for some time. Approximately 16% of our revenues are generated by clients located in the eurozone. Although the majority of the Group's revenues are generated outside of this region, a prolonged recessionary environment in the eurozone may adversely impact Group revenues and operating profit. The Company will continue to evaluate its operations within the eurozone to ensure that it is prepared to meet the ongoing challenges presented by the current environment.	Mitigation: The Group's liquidity risk (the ability to service short-term liabilities) is considered low in all scenarios other than a fundamental collapse of the financial markets and the Group's exposure to the Euro is considered to be minimal. Our policies with regard to managing liquidity risk and foreign currency risk are included on page 32 of the consolidated financial statements. The Company will continue to monitor its exposure in line with its policies to ensure that it minimises any risk.	
Regulatory, political and competitive environment		
Risk: **Political stability**	Risk: **Regulation**	Risk: **Competition**
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.	Mitigation: Changes to laws or regulations could adversely affect our performance. We engage with governments and non-governmental organisations directly or through trade associations to ensure that our views are represented.	Mitigation: We operate in a competitive marketplace. The level of concentration and outsource penetration varies by country. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by continuing to promote our differentiated propositions by focusing on our points of strength such as flexibility in our cost base, quality and value of service.

Focus on Risk (continued)

Acquisitions and investments		
Risk: **Acquisition and investment risk**	Risk: **Joint ventures**	
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.	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	**Reputation risk**	**Pensions 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.	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.	Mitigation: There are inherent funding risks associated with the provision of final salary pensions. However, the Group's UK defined benefit pension scheme is closed to future accrual and to new entrants other than for transfers under public sector contracts in the UK where the Company is obliged to provide final salary benefits to transferring employees. Further information is set out in note 24 of the consolidated financial statements.

Directors' responsibilities

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The Auditor has reported on those accounts; its Reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying its Report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Annual Report and Accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report. The Annual Report and Accounts is the responsibility of, and has been approved by, the Directors. We confirm that to the best of our knowledge:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS');
- 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; and
- the Annual Report and Accounts includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Mark J White
General Counsel and Company Secretary
21 November 2012

The Directors are required to prepare 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 IAS Regulation.

International Accounting Standard 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 International Financial Reporting Standards. 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; and
- 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 they consider to be appropriate for the purpose of enabling them to give their audit opinion.

The Directors are also 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.

Consolidated income statement

for the year ended 30 September 2012

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

Analysis of operating profit

for the year ended 30 September 2012

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

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

Consolidated statement of comprehensive income

for the year ended 30 September 2012

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

Consolidated statement of changes in equity

for the year ended 30 September 2012

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

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

(1) Including stamp duty and brokers' commission

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

Compass Group PLC
Consolidated Financial Statements (continued)

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

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

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

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

Compass Group PLC
Consolidated Financial Statements (continued)

Consolidated balance sheet

as at 30 September 2012

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

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

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

Richard J Cousins, Director
Dominic Blakemore, Director

Consolidated cash flow statement

for the year ended 30 September 2012

	Notes	2012 £m	2011 £m
Cash flow from operating activities			
Cash generated from operations	28	**1,393**	1,298
One-off employer contributions to post-employment benefit obligations		**-**	(60)
Interest paid		**(87)**	(56)
Premium paid on options		**(2)**	(1)
Interest element of finance lease rentals		**(2)**	(2)
Tax received		**24**	24
Tax paid		**(259)**	(233)
Net cash from/(used in) operating activities of continuing operations		**1,067**	970
Net cash from/(used in) operating activities of discontinued operations	29	**(19)**	(6)
Net cash from/(used in) operating activities		**1,048**	964
Cash flow from investing activities			
Purchase of subsidiary companies and investments in associated undertakings [1]	27	**(221)**	(426)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities[1]	8	**(3)**	-
Proceeds from sale of subsidiary companies and associated undertakings - continuing activities[1]		**58**	`
Tax on profits from sale of subsidiary companies and associated undertakings		**(21)**	(3)
Purchase of intangible assets	12	**(154)**	(126)
Purchase of property, plant and equipment		**(240)**	(244)
Proceeds from sale of property, plant and equipment/intangible assets		**28**	30
Purchase of other investments	15	**(3)**	(2)
Dividends received from associated undertakings	14	**8**	7
Interest received		**9**	4
Net cash from/(used in) investing activities by continuing operations		**(539)**	(760)
Net cash from/(used in) investing activities by discontinued operations	29	**(24)**	-
Net cash from/(used in) investing activities		**(563)**	(760)
Cash flow from financing activities			
Proceeds from issue of ordinary share capital		**30**	31
Purchase of own shares[2]		**(356)**	-
Net increase/(decrease) in borrowings	30	**(133)**	610
Repayment of obligations under finance leases	30	**(10)**	(12)
Equity dividends paid	10	**(378)**	(360)
Dividends paid to non-controlling interests		**(6)**	(6)
Net cash from/(used in) financing activities by continuing operations		**(853)**	263
Net cash from/(used in) financing activities by discontinued operations	29	**-**	-
Net cash from/(used in) financing activities		**(853)**	263
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents	30	**(371)**	467
Cash and cash equivalents at beginning of the year	30	**1,110**	643
Currency translation gains/(losses) on cash and cash equivalents	30	**(11)**	-
Cash and cash equivalents at end of the year	30	**728**	1,110

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

Reconciliation of free cash flow from continuing operations

for the year ended 30 September 2012

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

Notes to the consolidated financial statements

for the year ended 30 September 2012

1 Segmental reporting

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

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

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

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

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

Compass Group PLC
Consolidated Financial Statements (continued)

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

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

Compass Group PLC
Consolidated Financial Statements (continued)

2 Operating costs

Total Operating costs

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

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

Exceptional items

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

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

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

3 Employees

Average number of employees, including Directors and part-time employees	2012 Number	2011 Number
North America	**194,595**	189,302
Europe & Japan	**167,323**	161,472
Fast Growing & Emerging	**146,796**	120,334
Total continuing operations	**508,714**	471,108

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

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

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

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

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

(1) IAS 39 'Financial Instruments: Recognition and Measurement'.

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps and interest rate swaps to hedge the risks associated with changes in foreign currency exchange rates and interest rates. As explained in section Q of the Group's accounting policies, which are set out in the Annual Report, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

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

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

(1) Categorised as 'fair value through profit or loss' (IAS 39).
(2) Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
(3) Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 24.

5 Disposal of US Corrections Assets

On 29 March 2012, the Group disposed of the assets related to its foodservice and 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, as set out in the table below, is included in profit from continuing operations for the year ended 30 September 2012. The assets and results of operations of the Corrections business were included in the North America and the Defence, Offshore & Remote segments.

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

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

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

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

7 Tax

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

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

Compass Group PLC
Consolidated Financial Statements (continued)

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

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

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

Compass Group PLC
Consolidated Financial Statements (continued)

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

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

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

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

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

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

8 Discontinued operations

Year ended 30 September 2012

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

Year ended 30 September 2011

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

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

(1) The trading activity in the years ended 30 September 2012 and 30 September 2011 relates to the final run-off activity in businesses earmarked for closure.

(2) Released surplus provisions of £nil in the year ended 30 September 2012 (2011: £5 million).

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

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

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

9 Earnings per share

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

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

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

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

10 Dividends

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

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

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

11 Goodwill

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

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

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

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a CGU is determined from value in use calculations. The key assumptions for these calculations are long-term growth rates and pre-tax discount rates and use cash flow forecasts derived from the most recent financial budgets and forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long-term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

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

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

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

12 Other intangible assets

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

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

13 Property, plant and equipment

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

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

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

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

14 Interests in associates

Significant interest in associates are:

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

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

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

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

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

15 Other investments

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

(1) Categorised as 'available for sale' financial assets (IAS 39).

(2) Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations as set out in note 24.

(3) As per the fair value hierarchies explained in note 21, the investment in Au Bon Pain is Level 3, other investments are Level 1 and the life insurance policies are Level 2.

16 Joint ventures

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

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

None of these investments is held directly by the Ultimate Parent Company. All joint ventures provide foodservice and/or support services in their respective countries of incorporation and make their accounts up to 30 September.

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

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

17 Trade and other receivables

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

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

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 2012 were 46 days (2011: 48 days).

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

Trade receivables	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	Total £m
	2012					
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**

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

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

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

At 30 September 2012, trade receivables of £342 million (2011: £352 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all amounts not provided for are considered to be recoverable.

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18 Inventories

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

19 Cash and cash equivalents

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

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

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

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

20 Short-term and long-term borrowings

Short-term and long-term borrowings	2012 Current £m	2012 Non-current £m	2012 Total £m	2011 Current £m	2011 Non-current £m	2011 Total £m
Bank overdrafts	**58**	**-**	**58**	45	-	45
Bank loans	**11**	**52**	**63**	29	54	83
Loan notes	**-**	**872**	**872**	294	889	1183
Bonds	**-**	**764**	**764**	334	280	614
Borrowings (excluding finance leases)	**69**	**1,688**	**1,757**	702	1,223	1,925
Finance leases	**8**	**20**	**28**	9	24	33
Borrowings (including finance leases) (1)	**77**	**1,708**	**1,785**	711	1,247	1,958

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

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

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

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

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

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

Bonds	Nominal value	Redeemable	Interest
Sterling Eurobond	£250m	Dec 2014	7.00%
Euro Eurobond	€600m	Feb 2019	3.13%

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

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

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The table below shows the fair value of borrowings excluding accrued interest:

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

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

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

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

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

21 Derivative financial instruments

Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 19; debt, which includes the borrowings disclosed in note 20; and equity attributable to equity shareholders of the Parent, 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 in the Annual Report. The Group's financial instruments comprise of 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.

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 Moodys of P-1 or equivalent from another recognised agency.

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

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

(1) Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
(2) Derivatives carried at 'fair value through profit or loss' (IAS 39).

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

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

(1) Includes cross currency contracts

22 Trade and other payables

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

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

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. The current trade and other payables are payable on demand.

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

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23 Provisions

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

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

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

The provision for insurance relates to the costs of self-funded insurance schemes and is essentially long-term in nature.

Provisions in respect of discontinued and disposed of businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received. Surplus provisions of £nil (2011: £5 million) were credited to the discontinued operations section of the income statement in the year.

Provisions for onerous contracts represent the liabilities in respect of short-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.

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

Provisions for re-organisation includes provision for redundancy costs.

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

24 Post-employment benefit obligations

Pension schemes operated

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 3% to 35% of pensionable salaries.

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

All Schemes

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

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

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

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

Examples of the resulting life expectancies are as follows:

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

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

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

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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)	2012 Male	2012 Female	2011 Male	2011 Female
Member aged 65 in 2012 (2011)	**19.1**	**21.0**	19.0	20.9

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

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

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

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

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

Certain Group companies have taken out life insurance policies and invested in mutual funds which will be used to meet unfunded pension obligations. The current value of these policies and other assets, £30 million (2011: £24 million), may not be offset against pension obligations under IAS 19 and is reported within note 15.

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

The history of experience adjustments is as follows:

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

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

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

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

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

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

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

25 Called up share capital

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

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

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

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

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

26 Share-based payments

Share options

Full details of The Compass Group Share Option Plan 2010 (‘CSOP 2010’), the Compass Group Share Option Plan (‘CSOP 2000’), the Compass Group Management Share Option Plan (‘Management Plan’) (collectively the ‘Executive and Management Share Option Plans’) and the UK Sharesave Plan are set out in the Directors’ Remuneration Report part of the Annual Report.

27 Business combinations

On 3 October 2011, Compass Group, through its subsidiary Sofra Yemek Üretim ve Hizmet A.S., acquired the entire issued share capital of Obasan Gıda İnşaat Sanayi ve Ticaret Anonim Şirketi ('Obasan'), for total consideration of £48 million. Obasan is the leading provider of delivered meals to businesses within Turkey in and around Bursa and Istanbul. The acquisition is an addition to the existing business in Turkey that brings significant expertise in providing delivered meals to offices, enabling the Company to service more organisations that do not have catering facilities on-site and expand offerings in that market.

On 21 October 2011, Compass Group, through its subsidiary, Compass Group, UK and Ireland Limited, acquired Integrated Cleaning Management Limited ('ICM'), an independent specialist provider of core cleaning and related services, for total consideration of £38 million. ICM operates across the UK, with a particular focus on the corporate office, hospitality, leisure, hotel and retail sectors and strengthens the UK's multi-service capability.

On 29 February 2012, Compass Group, through its subsidiary Seiyo Food-Compass Group, Inc., acquired Nihon Kyushoku Service Co Ltd ('NKS'), a foodservice provider, for total consideration of £37 million. NKS operates mainly in the Healthcare sector and represents a further opportunity for expansion in this sector, significantly in senior living.

On 7 March 2012, Compass Group, through its subsidiary Compass Group Southern Africa (Proprietary) Ltd ('CGSA'), acquired Supercare Services Group (Proprietary) Limited ('Supercare') for total consideration of £42 million. Supercare is one of South Africa's leading cleaning companies, providing a range of specialised services including contract cleaning and washroom hygiene services. This acquisition will expand CGSA's multi-service offer to clients and will give it a strong cross-selling platform.

In addition to the acquisitions set out above, the Group has also completed a number of smaller infill acquisitions in several countries for total consideration of £57 million.

	Acquisitions		Adjustments[1]	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired				
Contract-related and other intangibles arising on acquisition	2	81	15	96
Property, plant and equipment	16	15	-	15
Inventories	4	4	1	5
Trade and other receivables	45	44	-	44
Cash and cash equivalents	22	22	-	22
Deferred tax assets	4	4	-	4
Other assets	2	2	-	2
Investments in associate undertakings	1	1	(1)	-
Trade and other payables	(30)	(30)	(2)	(32)
Deferred tax liabilities	-	(14)	-	(14)
Other liabilities	(16)	(9)	(2)	(11)
Fair value of net assets acquired	50	120	11	131
Goodwill arising on acquisition		94	(3)	91
Total consideration		214	8	222
Satisfied by				
Cash consideration		203	9	212
Deferred consideration		11	(1)	10
		214	8	222

Cash consideration	203	9	212
Cash acquired	(22)	-	(22)
Acquisitions transaction costs	9	-	9
Net cash outflow arising on acquisition	190	9	199
Deferred consideration and other payments relating to previous acquisitions			22
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings			221

(1) Adjustments to provisional amounts in respect of prior year acquisitions in accordance with International Financial Reporting Standard 3 'Business Combinations (Revised 2008)'.

(2) Deferred consideration is an estimate at the date of acquisition of the amount of additional consideration that will be payable in the future. The actual amount paid can vary from the estimate depending on the terms of the transaction and for example the actual performance of the acquired business.

Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with International Financial Reporting Standard 3 ‘Business Combinations’ (revised 2008). The adjustments made in respect of acquisitions in the year to 30 September 2012 are provisional and will be finalised within 12 months of the acquisition date.

The goodwill arising on the acquisition of the businesses represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. Of the goodwill arising, an amount of £2 million is expected to be deductible for tax purposes.

Acquisition transaction costs expensed in the year to 30 September 2012 were £9 million (2011: £9 million).

In the period from acquisition to 30 September 2012 the acquisitions contributed revenue of £233 million and operating profit of £16 million to the Group's results.

If the acquisitions had occurred on 1 October 2011, it is estimated that Group revenue for the period would have been £16,977 million and total Group operating profit (including associates) would have been £861 million.

28 Reconciliation of operating profit to cash generated by operations

Reconciliation of operating profit to cash generated by continuing operations	**2012 £m**	2011 £m
Operating profit from continuing operations	**848**	1,010
Add back: UK re-organisation	**-**	55
Operating profit from continuing operations before UK re-organisation	**848**	1,065
Adjustments for:		
Acquisition transaction costs	**9**	9
Amortisation of intangible assets (excluding UK re-organisation)	**116**	94
Amortisation of intangible assets arising on acquisition	**18**	12
Depreciation of property, plant and equipment (excluding UK re-organisation)	**203**	160
(Gain)/loss on disposal of property, plant and equipment/intangible assets	**2**	1
Impairment of goodwill (excluding UK re-organisation)	**2**	2
Increase/(decrease) in provisions	**174**	8
Increase/(decrease) in post-employment benefit obligations	**(54)**	(42)
Share-based payments - charged to profits	**11**	10
Operating cash flows before movement in working capital	**1,329**	1,319
(Increase)/decrease in inventories	**(4)**	(16)
(Increase)/decrease in receivables	**(146)**	(157)
Increase/(decrease) in payables	**214**	152
Cash generated by continuing operations	**1,393**	1,298

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29 Cash flow from discontinued operations

Cash flow from discontinued operations	2012 £m	2011 £m
Net cash from/(used in) operating activities of discontinued operations		
Cash utilised from discontinued operations	**(8)**	(6)
Tax paid	**(11)**	-
Net cash from/(used in) operating activities of discontinued operations	**(19)**	(6)
Net cash from/(used in) investing activities by discontinued operations		
Tax on profit of sale on subsidiary companies and associated undertakings	**(24)**	-
Net cash from/(used in) investing activities by discontinued operations	**(24)**	-

30 Reconciliation of net cash flow to movement in net debt

This table is presented as additional information to show movement in net debt, defined as overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.

		Gross debt						
Net debt	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Total gross debt £m	Net debt £m
At 1 October 2010	643	(39)	(1,267)	(1,306)	(42)	84	(1,264)	(621)
Net increase/(decrease) in cash and cash equivalents	467	-	-	-	-	-	-	467
Cash outflow from repayment of bonds	-	-	83	83	-	-	83	83
Cash (inflow)/outflow from other changes in gross debt	-	(6)	(683)	(689)	-	(4)	(693)	(693)
Cash outflow from repayment of obligations under finance leases	-	-	-	-	12	-	12	12
(Increase)/decrease in net debt as a result of new finance leases taken out	-	-	-	-	(2)	-	(2)	(2)
Currency translation gains/(losses)	-	-	(14)	(14)	-	16	2	2
Acquisitions and disposals (excluding cash)	-	-	(8)	(8)	(1)	-	(9)	(9)
Other non-cash movements	-	-	9	9	-	(9)	-	-
At 30 September 2011	1,110	(45)	(1,880)	(1,925)	(33)	87	(1,871)	(761)
At 1 October 2011	**1,110**	**(45)**	**(1,880)**	**(1,925)**	**(33)**	**87**	**(1,871)**	**(761)**
Net increase/(decrease) in cash and cash equivalents	**(371)**	**-**	**-**	**-**	**-**	**-**	**-**	**(371)**
Cash outflow from repayment of bonds	**-**	**-**	**609**	**609**	**-**	**-**	**609**	**609**
Cash (inflow)/outflow from other changes in gross debt	**-**	**(14)**	**(468)**	**(482)**	**-**	**6**	**(476)**	**(476)**
Cash outflow from repayment of obligations under finance leases	**-**	**-**	**-**	**-**	**10**	**-**	**10**	**10**
(Increase)/decrease in net debt as a result of new finance leases taken out	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**	**(4)**
Currency translation gains/(losses)	**(11)**	**2**	**53**	**55**	**1**	**(24)**	**32**	**21**
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)**

Other non-cash movements are comprised as follows:

Other non-cash movements in net debt	2012 £m	2011 £m
Amortisation of fees and discount on issuance	**(2)**	-
Accrual for issuance fees	**-**	2
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	**4**	4
Swap monetisation credit	**2**	2
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**(17)**	1
Bank and other borrowings	**(13)**	9
Changes in the value of derivative financial instruments including accrued income	**15**	(9)
Other non-cash movements	**2**	-

31 Contingent liabilities

Performance bonds, guarantees and indemnities	2012 £m	2011 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings) (1)	**383**	371

(1) Excludes bonds, guarantees and indemnities in respect of self-insurance liabilities, post-employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 33.

Performance bonds, guarantees and indemnities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of such guarantees relating to the Group's own contracts and/or the Group's share of certain contractual obligations of joint ventures and associates. Where the Group enters into such arrangements, it does so in order to provide assurance to the beneficiary that it will fulfil its existing contractual obligations. The issue of such guarantees and indemnities does not therefore increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

Eurest Support Services

On 21 October 2005, the Company announced that it had instructed Freshfields Bruckhaus Deringer to conduct an investigation into the relationships between Eurest Support Services ('ESS') (a member of the Group), IHC Services Inc. ('IHC') and the United Nations('UN'). Ernst & Young assisted Freshfields Bruckhaus Deringer in this investigation. On 1 February 2006, it was announced that the investigation had concluded.

The investigation established serious irregularities in connection with contracts awarded to ESS by the UN. The work undertaken by Freshfields Bruckhaus Deringer and Ernst & Young gave no reason to believe that these issues extended beyond a few individuals within ESS to other parts of ESS or the wider Compass Group of companies.

The Group settled all outstanding civil litigation against it in relation to this matter in October 2006, but litigation continues between competitors of ESS, IHC and other parties involved in UN procurement.

IHC's relationship with the UN and ESS was part of a wider investigation into UN procurement activity being conducted by the United States Attorney's Office for the Southern District of New York, and with which the Group co-operated fully. The current status of that investigation is uncertain and a matter for the US authorities. Those investigators could have had access to sources unavailable to the Group, Freshfields Bruckhaus Deringer or Ernst & Young, and further information may yet emerge which is inconsistent with, or additional to, the findings of the Freshfields Bruckhaus Deringer investigation, which could have an adverse impact on the Group. The Group has however not been contacted by, or received further requests for information from, the United States Attorney's Office for the Southern District of New York in connection with these matters since January 2006. The Group has co-operated fully with the UN throughout.

Other litigation and claims

The Group is also involved in various other legal proceedings incidental to the nature of its business and maintains insurance cover to reduce financial risk associated with claims related to these proceedings. Where appropriate, provisions are made to cover any potential uninsured losses.

In addition, the Group is subject to periodic tax audits covering corporate, employee and sales taxes in the various jurisdictions in which it operates. None of these are currently expected to have a material impact on the Group's financial position.

Outcome

Although it is not possible to predict the outcome of these proceedings, or any claim against the Group related thereto, in the opinion of the Directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group.

32 Capital commitments

Capital commitments	**2012** **£m**	2011 £m
Contracted for but not provided for	**120**	106

The majority of capital commitments are for intangible assets.

33 Operating lease and concessions commitments

The Group leases offices and other premises under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights. The Group has some leases that include revenue-related rental payments that are contingent on future levels of revenue.

Future minimum rentals payable under non-cancellable operating leases and concessions agreements are as follows:

	2012			2011		
	Operating leases			Operating leases		
Operating lease and concessions commitments	**Land and buildings £m**	**Other assets £m**	**Other occupancy rentals £m**	Land and buildings £m	Other assets £m	Other occupancy rentals £m
Falling due within 1 year	**52**	**47**	**61**	51	50	59
Falling due between 2 and 5 years	**124**	**64**	**85**	121	68	60
Falling due in more than 5 years	**79**	**5**	**57**	82	7	36
Total	**255**	**116**	**203**	254	125	155

34 Related party transactions

The following transactions were carried out with related parties of Compass Group PLC:

Subsidiaries

Transactions between the Ultimate Parent Company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the year.

Associates

The balances with associated undertakings are shown in note 22. There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of Directors and key management personnel is set out in the Annual Report. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

35 Post balance sheet events

On 31 October 2012, Compass Group acquired Nova Services Group, Inc. ('Nova'), a Toronto-based company that provides food and support services to the Business & Industry and Healthcare sectors. For the year ended 31 January 2012, it generated revenues of 34.9 million Canadian Dollars (£21.9 million).

On 1 October 2012, Compass Group acquired Crown Camp Services ('Crown') from Crown Catering Services S.A.S. For the year ended 31 December 2011, Crown generated revenues of 43.4 million Colombian Pesos (£14.9 million). Crown is an experienced operator in the oil and gas sector.

36 Exchange rates

Exchange rates	**2012**	2011
Average exchange rate for year		
Australian Dollar	**1.53**	1.57
Brazilian Real	**2.99**	2.65
Canadian Dollar	**1.59**	1.59
Euro	**1.21**	1.15
Japanese Yen	**124.35**	129.63
Norwegian Krone	**9.19**	9.05
South African Rand	**12.71**	11.17
Swedish Krona	**10.69**	10.40
Swiss Franc	**1.47**	1.45
UAE Dirham	**5.81**	5.90
US Dollar	**1.58**	1.61
Closing exchange rate as at 30 September		
Australian Dollar	**1.55**	1.60
Brazilian Real	**3.28**	2.89
Canadian Dollar	**1.59**	1.62
Euro	**1.26**	1.16
Japanese Yen	**125.63**	120.08
Norwegian Krone	**9.24**	9.15
South African Rand	**13.32**	12.52
Swedish Krona	**10.59**	10.70
Swiss Franc	**1.52**	1.42
UAE Dirham	**5.93**	5.72
US Dollar	**1.61**	1.56

(1) Average rates are used to translate the income statement and cash flow. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

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37 Details of principal subsidiary companies

All companies listed below are wholly owned by the Group, except where otherwise indicated. All interests are in the ordinary share capital. All companies operate principally in their country of incorporation. A full list of the Group's operating subsidiary undertakings will be annexed to the next annual return.

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

(1) Held directly by the Parent Company.