COMPASS GROUP

Annual results announcement for the year ended 30 September 2013

Consistent delivery of shareholder value

	Underlying[1]	Year on year change[2]	Reported
Revenue	£17.6 billion	+4.3%[3]	£17.6 billion
Operating profit	£1,265 million	+7.8%	£802 million
Profit before tax	£1,188 million	+9.2%	£721 million
Earnings per share	47.7 pence	+12.5%	23.3 pence
Free cash flow	£834 million	+9.7%	£762 million
Full year dividend per share	24.0 pence	+12.7%	24.0 pence

[1] The underlying column excludes exceptional costs and other non-underlying items. Full details can be found on pages 8 to 9
[2] Measured on a constant currency basis, except for free cash flow and dividend per share
[3] Year on year change represents organic revenue growth

Sustained momentum in organic revenue growth and operating margin

- Organic revenue growth of 4.3%, driven by strong performances in North America and Fast Growing & Emerging
- Operating profit margin up 20 basis points; now over 7% for the first time

Good progress across all three regions

- Organic revenue growth in North America of 8%, with significant contribution from Ascension Health and Texas A&M contracts
- Actions taken in Europe successfully mitigating ongoing economic challenges; 60 basis points increase in the operating margin
- Strong levels of new business in Fast Growing & Emerging delivered organic revenue growth of 10.2%

Confident in future prospects and ability to deliver further shareholder value

- Healthy pipeline, particularly in North America and Fast Growing & Emerging
- New £500 million share buyback announced for 2014; £1.4 billion capital returns in three years
- Compass remains well placed to capitalise on exciting structural growth opportunities in food and support services globally

Richard Cousins, Group Chief Executive, said:

"Compass has maintained good momentum during the year. High levels of new contract wins in North America and Fast Growing & Emerging have driven good organic revenue growth of over 4% and our operating margin has increased by 20 basis points to over 7% for the first time. Economic conditions in Europe & Japan remain challenging but the actions we've taken have enabled us to manage these and improve profit and margins. Looking ahead, I remain positive about the exciting structural growth opportunities in all of our markets and the potential for further progress."

Sir Roy Gardner, Chairman, said:

"I'm delighted to report another successful year for Compass, with good levels of growth in organic revenue, margin and cash flow. That has enabled us to continue investing in the business, at the same time as rewarding shareholders. Given our confidence in the outlook for the Group, I'm pleased to announce that the full year dividend has been increased by nearly 13% and we've announced a further share buyback of £500 million, which we expect to complete in the 2014 calendar year."

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Chief Executive's Statement

Group overview

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

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

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

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

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

Regional Performances

North America – 46.4% Group revenue (2012: 44.5%)

Regional financial summary	**2013**	2012	Reported	**Change** Constant currency	Organic
Revenue	**£8,150m**	£7,517m	8.4%	7.3%	8.0%
Operating profit (underlying)	**£657m**	£598m	9.9%	8.8%	-
Operating margin	**8.1%**	8.0%	10bps	-	-

We have had another excellent year in our North American business with revenue of £8.2 billion (2012: £7.5 billion). Organic revenue growth of 8.0% has been driven by strong new business wins in all sectors, including a contribution of just over 2% from the Ascension Health and Texas A&M contracts, and a consistently high retention rate. Like for like volume has remained broadly flat.

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

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

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

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

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

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

Europe & Japan – 34.4% Group revenue (2012: 36.9%)

			Change		
Regional financial summary	**2013**	2012	Reported	Constant currency	Organic
Revenue	**£6,039m**	£6,243m	(3.3)%	(2.5)%	(3.0)%
Operating profit (underlying)	**£420m**	£397m	5.8%	6.3%	-
Operating margin	**7.0%**	6.4%	60bps	-	-

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

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

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

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

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

On an underlying basis we have delivered an increase in operating profit of £25 million, or 6.3% on a constant currency basis, to £420 million (2012: £395 million). This equates to 60 basis points of operating margin progression, increasing the margin to 7% for the first time.

Fast Growing & Emerging – 19.2% Group revenue (2012: 18.6%)

Regional financial summary	2013	2012	Change		
			Reported	Constant currency	Organic
Revenue	**£3,368m**	£3,145m	7.1%	11.6%	10.2%
Operating profit (underlying)	**£242m**	£235m	3.0%	7.1%	-
Operating margin	**7.2%**	7.5%	(30)bps	-	-

Strong new business wins and like for like revenue growth have delivered an organic revenue increase of 10.2% to £3.4 billion (2012: £3.1 billion). Overall, operating profit increased by £16 million on a constant currency basis to £242 million (2012: £226 million). We continue to see many exciting opportunities in this region and are committed to investing in management and infrastructure to support quality growth. This year, we have rolled out a new regional management structure and exited some non-core contracts. The cost of this investment is in part being funded through efficiencies but, in the short term, it has had some impact on the operating margin, which was 7.2%, 30 basis points below last year.

Australia has performed well, with organic revenue growth driven by new business wins and like for like volume growth in the Remote sector. Contract wins include a multi service contract with Saracen Gold Mines Pty Ltd in Western Australia and one of the largest ever senior living food service contracts in Australia with BlueCross, serving 26 facilities and over 1500 residents. We expect the slight slowdown we saw towards the end of the year to continue into 2014, although good growth opportunities remain in all sectors.

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

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

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

Strategy

Focus on food

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

Growing support and multi services

Support and multi services are also an important part of our business and we continue to win new contracts and expand the range of services we supply to our existing clients. Our largest sector in this market is Defence, Offshore & Remote, although we also see some opportunities in Business & Industry, Healthcare & Seniors and Education. This is a complex market and there are significant differences in client buying behaviour across countries, sectors and sub sectors. Our approach is therefore low risk and incremental, with strategies developed on a country by country basis.

Geographic spread and emerging markets

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

North America (47% of Group revenue) will remain the principal growth engine for the Group. We have a market leading business, which delivers high levels of growth and steady margin expansion. The outsourcing culture is vibrant and the addressable market is significant. We are well positioned, with a good client base in all of our core sectors, and a strong management team.

The fundamentals of our businesses in Europe & Japan (34% of Group revenue) are solid; however, we expect economic conditions there to remain challenging in the short term. We continue to take measures to reduce cost and make our operations more competitive for the future, building a better business on the good foundations in place. We still see many opportunities to drive growth in revenue and margin.

Fast Growing & Emerging (19% of Group revenue) is an increasingly important part of our business. We have a strong presence in key markets such as Australia, Brazil and Turkey, and we are growing rapidly in India and China. With the potential they offer, we are investing in their growth. As the trend to outsourcing increases, we would hope to see high levels of growth maintained well into the future.

Organic growth, supplemented by infill acquisitions

Through the application of MAP 1 and MAP 2, quality and sustainable organic growth remains our priority but we will look to make infill acquisitions where they deliver value. We seek out small to medium sized infill acquisitions in food and support services in our existing geographies, bringing on board quality businesses and strong management teams. In 2013, we have invested around £104 million in such acquisitions. We continue to target financial returns ahead of our cost of capital by the end of the second year.

Chief Executive's Statement (continued)

Ongoing drive for efficiencies

We believe that we are only part of the way through the journey to drive further productivity in our cost of food (MAP 3) and our in unit costs (MAP 4), as well as being able to leverage the overhead base by controlling our above unit costs (MAP 5). During 2013, we have continued to improve our discipline around supplier and product rationalisation, recipe standardisation and labour scheduling, as well as rolling out 'lean' management techniques. The ongoing generation of efficiencies helps underpin our expectation of further margin progression.

Uses of cash and balance sheet priorities

The Group's cash flow generation remains excellent and it will continue to be a key part of the business model. It enables us to reward shareholders in parallel with reinvesting for growth and making infill acquisitions. In addition, we are committed to growing the dividend broadly in line with constant currency earnings and maintaining a cash cover of two times. An efficient balance sheet remains a priority and we continue to target strong investment grade credit ratings, which imply a net debt to EBITDA ratio of around 1 to 1.2 times. In light of this, we have announced a further share buyback programme of £500 million for the 2014 calendar year. This will follow the current £400 million share buyback, which we expect to complete by the end of the 2013 calendar year.

Summary and outlook

Compass has had a good year, delivering solid organic revenue growth and a 20 basis point increase in the Group operating margin, which is now over 7% for the first time. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have grown strongly and our operating margin in North America has remained above 8%. Looking ahead to next year, the pipeline of new contracts is encouraging and we expect to see further good performances in these regions. We anticipate economic conditions in Europe & Japan will remain challenging. However, the actions we are taking give us confidence in another year of delivery.

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

Richard Cousins

Richard Cousins
Group Chief Executive
27 November 2013

Financial Summary

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

Segmental Performance

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

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

(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 2013's average exchange rates.
(3) Total operating profit includes share of profit of associates.
(4) Underlying operating profit and margin excludes European exceptional cost, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.
(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, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness and the change in fair value of investments and non-controlling interest put options.
(8) Underlying basic earnings per share excludes European exceptional cost, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options, the tax attributable to these and exceptional recognition of tax losses.
(9) Underlying cash flow adjusts for the £72 million of European exceptional cash costs (2012: £31 million one-off cash outflow in respect of non-recurring historic tax issues and £20 million of European exceptional cash costs).
(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 4.3%, comprising new business of 8.8%, a retention rate of 93.7% and like for like growth of 1.8%. Acquisitions less disposals contributed a further 0.2% to deliver 4.5% constant currency revenue growth. There was a 0.6% negative impact from currency translation resulting in reported revenue growth of 3.9%.

Operating Profit

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

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

European Exceptional

In 2012, we announced a series of actions to improve the operational efficiency of our businesses in Europe and address the very challenging conditions in Southern Europe. We took a £295 million exceptional cost of which £100 million was cash and £195 million predominantly non-cash. In 2013 we have continued with these actions plans, and as announced last year, we have recorded a charge to continue to improve the operational efficiency of our labour base in Europe. This amounted to £59 million.

Goodwill Impairment

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

Finance Costs

The underlying net finance cost was £77 million (2012: £85 million), including an £11 million (2012: £15 million) charge relating to the pension deficit. The decrease largely reflects the short term inefficiency we incurred last year from early refinancing as we raised $1 billion of new debt in the US Private Placement market in September 2011, ahead of the £614 million of debt repayments in May 2012.

For 2014, we expect an underlying net finance cost of around £85 million. This includes the costs of funding the new £500 million share buyback and equates to an effective interest rate of around 4% on gross debt.

Other Gains and Losses

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

Profit Before Tax

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

Income Tax Expense

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

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

Basic Earnings per Share

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

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

	Attributable Profit		Basic Earnings per Share		
	2013 £m	2012 £m	**2013 pence**	2012 pence	Change %
Reported	**429**	605	**23.5**	32.1	(26.8)%
Discontinued operations	**(3)**	-	**(0.2)**	-	-
Other adjustments	**445**	198	**24.4**	10.5	-
Underlying	**871**	803	**47.7**	42.6	12.0%
Currency	-	(4)	**-**	(0.2)	-
Constant currency	**871**	799	**47.7**	42.4	12.5%

Dividends

It is proposed that a final dividend of 16.0 pence per share will be paid on 24 February 2014 to shareholders on the register on 24 January 2014. This will result in a total dividend for the year of 24.0 pence per share (2012: 21.3 pence per share), a year on year increase of 12.7%. The dividend is covered over two times on both an underlying earnings basis and free cash basis. We remain committed to growing the dividend in line with constant currency earnings and maintaining this level of cover.

Free Cash Flow

Free cash flow from continuing operations totalled £762 million (2012: £709 million). During the year, we incurred a £72 million outflow in respect of the European exceptional. Adjusting for this, free cash flow would have been £834 million.

Gross capital expenditure of £469 million (2012: £394 million), including amounts purchased by finance lease of £2 million (2012: £4 million), is equivalent to 2.7% of revenues (2012: 2.3% of revenues). The increase from 2012 is due to the investment in a number of projects, including the Texas A&M contract. We will continue to invest in projects where we see good returns. Over half of our capital expenditure is put into new business and retention, and where we do that, we deliver returns of over 20% post-tax.

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

The cash outflow of £54 million (2012: £54 million) on post-employment benefit obligations largely reflects payments agreed with Trustees to reduce deficits on defined benefit pension schemes. These regular deficit repayments are expected to continue going forward.

The cash tax rate for the year was 22% (2012: 21%), based on underlying profit before tax for the continuing operations. The rate was lower than the short to medium term expected level in the mid-20s, in the main due to the receipt of some large refunds during the year.

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

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

Acquisition Payments

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

Disposals

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

Purchase of Own Shares

During the year, the Group concluded the £500 million share buyback programme announced in November 2011 and began the £400 million share buyback programme announced in November 2012. Up to 30 September 2013, £446 million had been spent and the programme remains on track to complete by the end of the calendar year.

Proceeds from Issue of Share Capital

The Group received cash of £9 million in the year (2012: £30 million) from the issue of shares following the exercise of employee share options.

Return on Capital Employed

Return on capital employed was 19.1% (2012: 18.2%) based on underlying operations, net of tax at the effective underlying rate of 26% (2012: 26%), and excluding the Group's non-controlling partners' share of total operating profit. The average capital employed used is £4,878 million (2012: £4,774 million), which is based on the 12 month average balance sheet, adjusting for the post-employment benefit obligations, net of associated deferred tax, impaired goodwill, amortised intangibles arising on acquisition and the Group's non-controlling partners' share of net assets.

Pensions

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

Business Review (continued)

The Group's total pension fund deficit at 30 September 2013 was £208 million (2012: £361 million), largely due to increased asset returns and a one-off contribution of £72 million to the UK scheme during the year. The total pensions charge for defined contribution schemes in the year was £80 million (2012: £77 million) and £32 million (2012: £32 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £11 million charge to net finance cost (2012: £15 million).

Shareholder Return

The market price of the Group's ordinary shares at the close of the financial year was 850.0 pence per share (2012: 683.5 pence per share).

Risks and Uncertainties

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

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out on pages 14 to 17.

Related Party Transactions

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

Financial Position

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

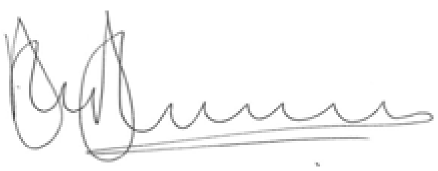
At the end of the year, net debt was £1,193 million (2012: £973 million).

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 20 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
27 November 2013

Focus on risk

Our formula for identifying and managing risk

The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which we operate.

As set out in the Corporate Governance section within 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 are integral parts of the business process, and core activities throughout the Group.

Our process for identifying and managing risks is set out in detail 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 Report. These do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this Report may also have an adverse effect on the Group.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk, each of which was disclosed in previous years' Annual Reports which can be found on our website at www.compass-group.com. 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. Furthermore, health and safety improvement KPIs have been included in the bonus plans for each of the business' management teams effective from 1 October 2012 onwards.	Mitigation: Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene, and food safety is paramount. The Group has appropriate policies, procedures and standards in place to ensure full compliance with legal obligations and industry standards. The safety and quality of our Global Supply Chain continues to be assured through compliance against a robust set of standards. We have recently upgraded these standards and the audit programme that underpins them, to improve supply chain visibility and product integrity.	Mitigation Every day, everywhere, we look to make a positive contribution to the world in which we live and reduce the impact on the environment. We are committed to reducing direct emissions from our operations by 2017 and taking action through partnership with clients to reduce the consumption of energy, water and waste in our operations. Our Corporate Responsibility statement in the Annual Report describes our approach in more detail.

Focus on risk (continued)

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**	
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.	

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 51%, 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 framework, we seek to manage food price inflation through: cost indexation in our contracts, giving us the contractual right to review pricing with our clients; menu management to substitute ingredients in response to any forecast shortages and cost increases; and continuing to drive greater purchasing efficiencies through supplier rationalisation and compliance as well as understanding and reviewing market and global trends.	Mitigation: Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP framework, we have been deploying tools and processes to optimise labour productivity, labour flexibility and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.

Focus on risk (continued)

Eurozone		
Risk: Operating performance	**Risk: Asset impairment**	
Mitigation: Recent conditions in the Eurozone indicate that growth rates and consumer demand will remain under pressure for some time. Approximately 15% 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 continues to monitor closely its operations within the Eurozone and has in place both a cost reduction plan and an efficiency programme in this region to offset the adverse impact on profitability and to ensure that it is prepared to meet the ongoing challenges presented by the current environment.	**Mitigation:** Given the continued recessionary environment in the Eurozone, there is pressure on the carrying value of our assets in this region, including goodwill and receivables, with an increased risk of impairment. During our regular operational reviews, we diligently consider the assumptions underlying the carrying value of our assets, assess their recoverability and ensure that they are appropriately stated. The Group also performs goodwill impairment testing in all countries, at least annually, to ensure that the respective carrying values are adequately supported.	

Regulatory, political and competitive environment		
Risk: Regulation	**Risk: Political stability**	**Risk: Competition**
Mitigation: Changes to laws or regulations could adversely affect our performance. We engage with governments and non-governmental organisations directly or through appropriate trade associations to ensure that our views are represented. Regulation risk is also considered as part of our annual business planning process.	**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:** We operate in a competitive marketplace. The level of concentration and outsource penetration varies by country and by sector. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by continuing to promote our differentiated propositions by focusing on our points of strength such as flexibility in our cost base, quality and value of service as well as continuing to innovate in the variety and quality of our services to clients.

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. Whilst we continue to operate some defined benefit schemes both in the UK and overseas, other than where required by local regulation or statute; these schemes are closed to new entrants. Further information is set out within the Annual Report.

Tax risk	**Information Technology/ Cyber risk**	
Mitigation: As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable. However, we exercise our judgement and seek appropriate professional advice when calculating our tax liabilities and forecasting the recoverability of deferred tax assets. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate and the Group actively monitors these factors to identify the potential impact.	Mitigation: The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation. We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our customers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business	enabler and to reduce both cost and exposure as a result.

Directors' responsibilities

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 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 Conduct Authority and the UK Corporate Governance Code in respect of the requirements to produce an annual financial report. The Annual Report and Accounts is the responsibility of, and has been approved by, the Directors. We confirm that to the best of our knowledge:

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy
- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards
- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Annual Report and Accounts includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

On behalf of the Board

MJWhite

Mark J White
General Counsel and Company Secretary
27 November 2013

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

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

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

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 30 September 2013

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

(1) Exceptional items include European exceptional and goodwill impairment.

Analysis of operating profit

for the year ended 30 September 2013

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

(1) Underlying operating profit excludes European exceptional and goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.

Consolidated statement of comprehensive income

for the year ended 30 September 2013

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

Consolidated statement of changes in equity

for the year ended 30 September 2013

	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 2012	186	386	49	(1)	4,445	(1,834)	10	3,241
Profit for the year	-	-	-	-	-	429	8	437
Other comprehensive income								
Currency translation differences	-	-	-	-	(80)	-	-	(80)
Actuarial (losses)/gains on post-retirement employee benefits	-	-	-	-	-	39	-	39
Tax on items relating to the components of other comprehensive income	-	-	-	-	2	(11)	-	(9)
Total other comprehensive income	-	-	-	-	(78)	28	-	(50)
Total comprehensive income for the year	-	-	-	-	(78)	457	8	387
Issue of shares (for cash)	-	9	-	-	-	-	-	9
Fair value of share-based payments	-	-	-	-	11	-	-	11
Tax on items taken directly to equity (note 6)	-	-	-	-	-	6	-	6
Share buy back (1)	(6)	-	6	-	-	(446)	-	(446)
Release of LTIP award settled by issue of new shares	-	5	-	-	(5)	-	-	-
Other changes	-	-	-	-	1	(5)	(3)	(7)
	180	400	55	(1)	4,374	(1,822)	15	3,201
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(404)	-	(404)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
At 30 September 2013	180	400	55	(1)	4,374	(2,226)	9	2,791

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

(1) Including stamp duty and brokers' commission

Own shares held by the Group represent 161,622 shares in Compass Group PLC (2012: 197,475 shares). 144,413 shares are held by the Compass Group Employee Share Trust ('ESOP') and 17,209 shares by the Compass Group Long Term Incentive Plan Trust ('LTIPT'). These shares are listed on a recognised stock exchange and their market value at 30 September 2013 was £1.4 million (2012: £1.3 million). The nominal value held at 30 September 2013 was £16,162 (2012: £19,748).

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

The merger reserve arose in 2000 following the demerger from Granada Compass plc.

Consolidated statement of changes in equity

for the year ended 30 September 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 6)	-	-	-	-	-	7	-	7
Share buy back	(5)	-	5	-	-	(356)	-	(356)
Release of LTIP award settled by issue of new shares	-	4	-	-	(4)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	(2)	2	-
Other changes	-	-	-	-	-	(3)	-	(3)
	186	386	49	(1)	4,445	(1,456)	16	3,625
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(378)	-	(378)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
At 30 September 2012	186	386	49	(1)	4,445	(1,834)	10	3,241

Other reserves

	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £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

Consolidated balance sheet

as at 30 September 2013

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

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

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

Richard J Cousins, Director

Dominic Blakemore, Director

Consolidated cash flow statement

for the year ended 30 September 2013

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

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

Reconciliation of free cash flow from continuing operations

for the year ended 30 September 2013

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

Notes to the consolidated financial statements

for the year ended 30 September 2013

1 Segmental reporting

In line with the changes announced in November 2011, the management of the Company's operations, excluding Central activities, is organised within three 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.

	Geographical segments			
Revenues	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Total £m
Year ended 30 September 2013				
External revenue	**8,150**	**6,039**	**3,368**	**17,557**
Year ended 30 September 2012				
External revenue	7,517	6,243	3,145	16,905

	Products and services: Sectors					
Revenues	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	Total £m
Year ended 30 September 2013						
External revenue	**7,121**	**2,820**	**3,559**	**1,784**	**2,273**	**17,557**
Year ended 30 September 2012						
External revenue	7,068	2,645	3,243	1,785	2,164	16,905

(1) There is no inter-segmental trading.

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

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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 2013					
Operating profit before associates, exceptional items and costs relating to acquisitions	**657**	**420**	**242**	**(64)**	**1,255**
European exceptional	**-**	**(59)**	**-**	**-**	**(59)**
Goodwill impairment	**-**	**(377)**	**-**	**-**	**(377)**
Operating profit before associates and costs relating to acquisitions	**657**	**(16)**	**242**	**(64)**	**819**
Less: Amortisation of intangibles arising on acquisition	**(10)**	**(6)**	**(9)**	**-**	**(25)**
Less: Acquisition transaction costs	**(1)**	**(1)**	**(1)**	**-**	**(3)**
Add: Adjustment to contingent consideration on acquisition	**1**	**-**	**-**	**-**	**1**
Operating profit before associates - continuing	**647**	**(23)**	**232**	**(64)**	**792**
Add: Share of profit of associates	**6**	**4**	**-**	**-**	**10**
Total operating profit - continuing	**653**	**(19)**	**232**	**(64)**	**802**
Loss on disposal of US Corrections business					**(1)**
Finance income					**8**
Finance costs					**(85)**
Hedge accounting ineffectiveness					**(3)**
Profit before tax					**721**
Income tax expense					**(287)**
Profit for the year from continuing operations					**434**

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, exceptional items and costs relating to acquisitions	598	397	235	(60)	1,170
European exceptional	-	(295)	-	-	(295)
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

Compass Group PLC
Consolidated Financial Statements (continued)

2 Operating costs

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

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

Exceptional items

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

European Exceptional	2013 £m	2012 £m
Accelerated efficiencies	**59**	100
Asset write down	**-**	35
Disposals	**-**	40
Provisions for receivables / other operating provisions	**-**	120
Total European exceptional	**59**	295
Goodwill impairment (note 10)	**377**	-
Total exceptional items	**436**	295

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

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

3 Employees

Average number of employees, including Directors and part-time employees	2013 Number	2012 Number
North America	**205,969**	194,595
Europe & Japan	**153,915**	167,323
Fast Growing & Emerging	**146,815**	146,796
Total continuing operations	**506,699**	508,714

Aggregate remuneration of all employees including Directors	2013 £m	2012 £m
Wages and salaries	**6,713**	6,468
Social security costs	**1,304**	1,237
Share-based payments	**13**	11
Pension costs - defined contribution plans	**80**	77
Pension costs - defined benefit plans	**21**	17
Total continuing operations	**8,131**	7,810

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

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

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

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

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

(1) Categorised as 'fair value through profit or loss' (IAS 39).
(2) Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
(3) Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 23.

5 Disposal of US Corrections Business

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

(Loss)/Gain on disposal of the US Corrections business	**2013 £m**	2012 £m
(Loss)/gain on disposal of the US Corrections business	**(1)**	23
Tax on (loss)/gain on disposal of US Corrections business	**-**	(10)
Net (loss)/gain on disposal of US Corrections business	**(1)**	13

6 Tax

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

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 23.5% (2012: 25%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of the changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 24% to 23% from 1 April 2013, 21% from 1 April 2014, and 20% from 1 April 2015. These changes have resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

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

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

Tax credited to equity	2013 £m	2012 £m
Current and deferred tax credits in respect of share-based payments	**6**	7
Tax credit on items recognised in equity	**6**	7

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 2011	9	(161)	145	18	55	139	205
(Charge)/credit to income	(1)	(9)	2	7	5	47	51
Credit to equity/other comprehensive income	-	-	17	-	-	1	18
Business acquisitions	-	(14)	2	-	-	2	(10)
Other movements	3	-	(1)	(2)	-	(2)	(2)
Exchange adjustment	1	8	(5)	(2)	(2)	(6)	(6)
At 30 September 2012	12	(176)	160	21	58	181	256
At 1 October 2012	**12**	**(176)**	**160**	**21**	**58**	**181**	**256**
(Charge)/credit to income	**(4)**	**(10)**	**(13)**	**(1)**	**6**	**5**	**(17)**
(Charge)/credit to equity/other comprehensive income	**-**	**-**	**(11)**	**1**	**-**	**3**	**(7)**
Business acquisitions	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**(2)**
Other movements	**2**	**-**	**-**	**-**	**-**	**(3)**	**(1)**
Exchange adjustment	**-**	**4**	**-**	**-**	**-**	**(6)**	**(2)**
At 30 September 2013	**9**	**(183)**	**136**	**21**	**64**	**180**	**227**

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

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	2013 £m	2012 £m
Deferred tax assets	**265**	296
Deferred tax liabilities	**(38)**	(40)
Net deferred tax asset	**227**	256

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

Overseas dividends received by UK resident group companies are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £401 million (2012: £325 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

7 Discontinued operations

Year ended 30 September 2013

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

Financial performance of discontinued operations	2013 £m	2012 £m
Trading activities of discontinued operations		
Operating costs [1]	-	(1)
Loss before tax	-	(1)
Income tax credit (see below) [2]	2	-
Profit/(loss) after tax	2	(1)
Disposal of net assets and other adjustments relating to discontinued operations		
Income tax credit (see below) [2]	1	1
Total profit after tax	1	1
Profit for the year from discontinued operations		
Profit for the year from discontinued operations	3	-

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

(2) Release of surplus tax provisions.

Income tax from discontinued operations	2013 £m	2012 £m
Income tax on trading activities of discontinued operations and on disposal of net assets and other adjustments relating to discontinued operations		
Current tax	3	3
Deferred tax	-	(2)
Income tax credit on discontinued operations	3	1

Net assets disposed and disposal proceeds	2013 £m	2012 £m
Decrease in retained liabilities [1]	(1)	(3)
Consideration, net of costs	(1)	(3)
Cash outflow from current year disposals	(1)	(3)
Cash outflow from disposals	(1)	(3)

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

8 Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the year. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued operations, European exceptional, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness, the change in the fair value of investments, the tax attributable to these amounts and the exceptional recognition of tax losses. These items are excluded in order to show the underlying trading performance of the Group.

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

Average number of shares (millions of ordinary shares of 10p each)	2013 Ordinary shares of 10p each millions	2012 Ordinary shares of 10p each millions
Average number of shares for basic earnings per share	**1,827**	1,884
Dilutive share options	**8**	10
Average number of shares for diluted earnings per share	**1,835**	1,894

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	2013 Earnings per share pence	2012 Earnings per share pence
Basic earnings per share (pence)		
From continuing and discontinued operations	**23.5**	32.1
From discontinued operations	**(0.2)**	-
From continuing operations	**23.3**	32.1
Amortisation of intangible assets arising on acquisition (net of tax)	**1.0**	0.8
Acquisition transaction costs (net of tax)	**0.2**	0.4
Adjustment to contingent consideration on acquisition (net of tax)	**(0.1)**	-
European exceptional (net of tax)	**2.4**	11.8
Goodwill impairment	**20.6**	-
Loss/(gain) on disposal of US Corrections business (net of tax)	**0.1**	(0.7)
Hedge accounting ineffectiveness (net of tax)	**0.1**	0.2
Exceptional recognition of tax losses	**0.1**	(2.0)
From underlying continuing operations	**47.7**	42.6
Diluted earnings per share (pence)		
From continuing and discontinued operations	**23.4**	31.9
From discontinued operations	**(0.2)**	-
From continuing operations	**23.2**	31.9
Amortisation of intangible assets arising on acquisition (net of tax)	**1.0**	0.8
Acquisition transaction costs (net of tax)	**0.2**	0.4
Adjustment to contingent consideration on acquisition (net of tax)	**(0.1)**	-
European exceptional (net of tax)	**2.4**	11.8
Goodwill impairment	**20.5**	-
Loss/(gain) on disposal of US Corrections business (net of tax)	**0.1**	(0.7)
Hedge accounting ineffectiveness (net of tax)	**0.1**	0.2
Exceptional recognition of tax losses	**0.1**	(2.0)
From underlying continuing operations	**47.5**	42.4

9 Dividends

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

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

(1) Based on the number of shares in issue at 30 September 2013 (1,804 million shares)

10 Goodwill

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

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

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

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

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

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

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

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

	2013	
	£m Increase by 0.2pp	**£m Decrease by 0.2pp**
Pre-tax discount rate	**(34)**	**35**
Residual growth rates	**26**	**(24)**

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

11 Other intangible assets

Other intangible assets	Computer software £m	Contract and other intangibles[1] Arising on acquisition £m	Contract and other intangibles[1] Other £m	Total £m
Cost				
At 1 October 2011	244	271	700	1,215
Additions	23	-	131	154
Disposals	(40)	-	(64)	(104)
Business acquisitions	-	96	-	96
Reclassified	4	-	2	6
Currency adjustment	(9)	(13)	(25)	(47)
At 30 September 2012	222	354	744	1,320
At 1 October 2012	**222**	**354**	**744**	**1,320**
Additions	**21**	**-**	**170**	**191**
Disposals	**(15)**	**(1)**	**(67)**	**(83)**
Business acquisitions	**-**	**68**	**-**	**68**
Business disposals	**(3)**	**(2)**	**-**	**(5)**
Reclassified	**3**	**(2)**	**(1)**	**-**
Currency adjustment	**(4)**	**(16)**	**(4)**	**(24)**
At 30 September 2013	**224**	**401**	**842**	**1,467**
Amortisation				
At 1 October 2011	165	27	304	496
Charge for the year	29	18	87	134
Disposals	(38)	-	(58)	(96)
Reclassified	2	-	-	2
Currency adjustment	(6)	(2)	(12)	(20)
At 30 September 2012	152	43	321	516
At 1 October 2012	**152**	**43**	**321**	**516**
Charge for the year	**21**	**25**	**97**	**143**
Disposals	**(15)**	**-**	**(54)**	**(69)**
Business disposals	**(2)**	**-**	**-**	**(2)**
Reclassified	**2**	**(2)**	**-**	**-**
Currency adjustment	**(3)**	**(4)**	**-**	**(7)**
At 30 September 2013	**155**	**62**	**364**	**581**
Net book value				
At 30 September 2012	70	311	423	804
At 30 September 2013	**69**	**339**	**478**	**886**

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

12 Property, plant and equipment

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
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
At 1 October 2012	**301**	**994**	**519**	**1,814**
Additions (1)	**86**	**125**	**67**	**278**
Disposals	**(12)**	**(75)**	**(44)**	**(131)**
Business disposals - other activities	**(2)**	**(4)**	**(3)**	**(9)**
Business acquisitions	**1**	**5**	**-**	**6**
Reclassified	**4**	**(5)**	**4**	**3**
Currency adjustment	**(18)**	**(11)**	**(7)**	**(36)**
At 30 September 2013	**360**	**1,029**	**536**	**1,925**
Depreciation				
At 1 October 2011	158	602	335	1,095
Charge for the year	30	111	62	203
Disposals	(7)	(57)	(30)	(94)
Business disposals - other activities	-	(1)	(3)	(4)
Reclassified	(1)	2	4	5
Currency adjustment	(6)	(25)	(12)	(43)
At 30 September 2012	174	632	356	1,162
At 1 October 2012	**174**	**632**	**356**	**1,162**
Charge for the year	**21**	**112**	**48**	**181**
Disposals	**(9)**	**(63)**	**(38)**	**(110)**
Business disposals - other activities	**(2)**	**(3)**	**(3)**	**(8)**
Reclassified	**-**	**3**	**2**	**5**
Currency adjustment	**(9)**	**(6)**	**(4)**	**(19)**
At 30 September 2013	**175**	**675**	**361**	**1,211**
Net book value				
At 30 September 2012	127	362	163	652
At 30 September 2013	**185**	**354**	**175**	**714**

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

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

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 2012	7	11	2	20
At 30 September 2013	**7**	**8**	**1**	**16**

13 Interests in associates

Significant interest in associates are:

	Country of incorporation	2013 % ownership	2012 % 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	2013 £m	2012 £m
Net book value		
At 1 October	**82**	79
Additions	**-**	7
Share of profits less losses (net of tax)	**10**	8
Dividends received	**(6)**	(8)
Currency and other adjustments	**(2)**	(4)
At 30 September	**84**	82

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

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

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

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14 Other investments

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

(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 23.

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

15 Joint ventures

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

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

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

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

16 Trade and other receivables

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

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

Trade receivables

The book value of trade and other receivables approximates to their fair value due to the short-term nature of the majority of the receivables.

Credit sales are only made after credit approval procedures have been completed satisfactorily. The policy for making provisions for bad and doubtful debts varies from country to country as different countries and markets have different payment practices, but various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

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

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

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

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

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

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

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

At 30 September 2013, trade receivables of £330 million (2012: £342 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all amounts not provided for are considered to be recoverable.

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17 Inventories

Inventories	2013 £m	2012 £m
Net book value		
At 1 October	**261**	270
Net movement	**1**	1
Currency adjustment	**(7)**	(10)
At 30 September	**255**	261

18 Cash and cash equivalents

Cash and cash equivalents	2013 £m	2012 £m
Cash at bank and in hand	**316**	284
Short-term bank deposits	**690**	444
Cash and cash equivalents (1)	**1,006**	728

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

Cash and cash equivalents by currency	2013 £m	2012 £m
Sterling	**541**	456
US Dollar	**218**	50
Euro	**71**	31
Japanese Yen	**16**	13
Other	**160**	178
Cash and cash equivalents	**1,006**	728

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

19 Short-term and long-term borrowings

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

(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$1,782 million (£1,100 million) at interest rates between 3.09% and 6.72%. The carrying value of these loan notes is £1,111 million. It also has a Sterling denominated private placement of £35 million with a carrying value of £36 million at an interest rate of 7.55%.

	Nominal value	Redeemable	Interest
US$ private placement	$105m	Oct 2013	6.45%
US$ private placement	$15m	Nov 2013	5.67%
US$ private placement	$162m	Oct 2015	6.72%
Sterling private placement	£35m	Oct 2016	7.55%
US$ private placement	$250m	Oct 2018	3.31%
US$ private placement	$200m	Sep 2020	3.09%
US$ private placement	$398m	Oct 2021	3.98%
US$ private placement	$352m	Oct 2023	4.12%
US$ private placement	$300m	Sep 2025	3.81%

The Group also has a Sterling denominated Eurobond of £250 million at an interest rate of 7.0%, redeemable in December 2014 and a Euro denominated Eurobond of €600 million at an interest rate of 3.125%, redeemable in February 2019. The carrying value of these bonds is £772 million. The £250 million bond is recorded at its fair value to the Group on acquisition.

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

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

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

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

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

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

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

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

Undrawn committed facilities	2013 £m	2012 £m
Expiring between 1 and 5 years	**700**	700

20 Derivative financial instruments

Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 18; debt, which includes the borrowings disclosed in note 19; and equity attributable to equity shareholders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Financial management

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

Liquidity risk

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

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 16.

Derivative financial instruments	2013 Current assets £m	2013 Non-current assets £m	2013 Current liabilities £m	2013 Non-current liabilities £m	2012 Current assets £m	2012 Non-current assets £m	2012 Current liabilities £m	2012 Non-current liabilities £m
Interest rate swaps:								
Fair value hedges [1]	**2**	**41**	**-**	**(1)**	-	84	-	-
Not in a hedging relationship [2]	**-**	**-**	**(1)**	**-**	-	-	(2)	(1)
Other derivatives:								
Forward currency contracts and cross currency swaps	**5**	**21**	**(2)**	**-**	1	1	(1)	(1)
Others	**-**	**1**	**-**	**-**	1	2	-	-
Total	**7**	**63**	**(3)**	**(1)**	2	87	(3)	(2)

(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	2013 Fair value swaps £m	2013 Cash flow swaps £m	2012 Fair value swaps £m	2012 Cash flow swaps £m
Sterling	**220**	**-**	220	-
US Dollar	**680**	**395**	497	62
Euro	**393**	**38**	359	68
Japanese Yen	**-**	**45**	-	47
Other	**-**	**124**	-	92
Total	**1,293**	**602**	1,076	269

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

(1) Includes cross currency contracts

21 Trade and other payables

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

(1) Categorised as 'other financial liabilities' (IAS 39).
(2) Of this balance £393 million (2012: £315 million) is categorised as 'other financial liabilities' (IAS 39).
(3) Categorised as 'loans and receivables' financial assets (IAS 39).

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

Trade payable days for the continuing business at 30 September 2013 were 68 days (2012: 67 days).

22 Provisions

Provisions	Insurance £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 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)
Business acquisitions	-	-	-	-	1	-	1
Unwinding of discount on provisions	-	-	2	-	-	-	2
Currency adjustment	(7)	-	(2)	(7)	(2)	2	(16)
At 30 September 2012	217	52	79	105	94	56	603
At 1 October 2012	**217**	**52**	**79**	**105**	**94**	**56**	**603**
Reclassified [1]	**-**	**(4)**	**4**	**1**	**(1)**	**(4)**	**(4)**
Expenditure in the year	**(11)**	**(1)**	**(31)**	**(5)**	**(69)**	**(18)**	**(135)**
Charged to income statement	**23**	**-**	**4**	**10**	**46**	**12**	**95**
Credited to income statement	**-**	**-**	**(4)**	**(16)**	**(6)**	**(4)**	**(30)**
Unwinding of discount on provisions	**-**	**-**	**3**	**-**	**-**	**-**	**3**
Currency adjustment	**(1)**	**-**	**1**	**(4)**	**3**	**-**	**(1)**
At 30 September 2013	**228**	**47**	**56**	**91**	**67**	**42**	**531**

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

Provisions	**2013 £m**	2012 £m
Current	**189**	246
Non-current	**342**	357
Total provisions	**531**	603

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

Provisions in respect of discontinued and disposed-of businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received.

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

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

Provisions for re-organisation includes provision for redundancy costs.

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

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

23 Post-employment benefit obligations

Pension schemes operated

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

The contributions payable for defined contribution schemes of £80 million (2012: £77 million) have been fully expensed against profits in the current year.

All Schemes

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

	UK schemes			USA schemes			Other schemes		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Discount rate	**4.4%**	4.5%	5.1%	**4.3%**	3.5%	4.4%	**3.6%**	3.1%	3.7%
Inflation assumption	**3.4%**	2.7%	3.0%	**2.2%**	2.3%	2.3%	**2.0%**	2.0%	2.1%
CPI inflation assumption	**2.65%**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Rate of increase in salaries	**3.4%**	3.7%	4.0%	**3.0%**	3.0%	3.0%	**2.1%**	2.4%	2.5%
Rate of increase for pensions in payment	**3.3%**	2.7%	3.0%	**2.2%**	2.3%	2.3%	**0.5%**	0.5%	0.7%
Rate of increase for deferred pensions	**3.4%**	2.7%	3.0%	**0.0%**	0.0%	0.0%	**0.0%**	0.3%	0.5%

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:

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

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

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

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

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

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

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

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

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

Certain Group companies have taken out life insurance policies and invested in mutual funds which will be used to meet unfunded pension obligations. The current value of these policies and other assets, £24 million (2012: £30 million), may not be offset against pension obligations under IAS 19 and is reported within note 14.

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

The history of experience adjustments is as follows:

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

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

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

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

The expected return on plan assets is based on market expectations at the beginning of the period. The actual return on assets was a gain of £205 million (2012: gain of £172 million).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £463 million (2012: £502 million). An actuarial gain of £39 million (2012: actuarial loss of £115 million) was recognised during the year.

Measurement of the Group's defined benefit retirement obligations is particularly sensitive to changes in certain key assumptions, including the discount rate and life expectancy. An increase or decrease of 0.5% in the UK discount rate would result in a £159 million decrease or £169 million increase in the UK defined benefit obligations, respectively. An increase of one year in the life expectancy of all UK members from age 65, would result in a £49 million increase in the UK defined benefit obligations.

24 Called up share capital

During the year 4,650,560 options were granted under The Compass Group Share Option Plan 2010. All options were granted over the Company's ordinary shares and the grant price was equivalent to the market value of the Company's shares at the date of grant. No options were granted under any of the Company's other share option plans.

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

Authorised and allotted share capital	2013 Number of shares	2013 £m	2012 Number of shares	2012 £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	**1,804,035,995**	**180**	1,855,164,098	186

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

25 Share-based payments

Share options

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

26 Business combinations

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

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

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

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

(1) 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.

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Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with International Financial Reporting Standard 3 'Business Combinations' (revised 2008). The adjustments made in respect of acquisitions in the year to 30 September 2013 are provisional and will be finalised within 12 months of the acquisition date.

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

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

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

If the acquisitions had occurred on 1 October 2012, it is estimated that Group revenue for the period would have been £17,577 million and total Group operating profit (including associates) would have been £793 million.

27 Reconciliation of operating profit to cash generated by operations

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

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28 Cash flow from discontinued operations

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

29 Reconciliation of net cash flow to movement in net debt

This table is presented as additional information to show 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 2011	1,110	(45)	(1,880)	(1,925)	(33)	87	(1,871)	(761)
Net increase/(decrease) in cash and cash equivalents	(368)	-	-	-	-	-	-	(368)
Cash outflow from repayment of bonds	-	-	609	609	-	-	609	609
Cash (inflow)/outflow from other changes in gross debt	-	(14)	(468)	(482)	-	6	(476)	(476)
Cash outflow from repayment of obligations under finance leases	-	-	-	-	10	-	10	10
Increase in net debt as a result of new finance leases taken out	-	-	-	-	(4)	-	(4)	(4)
Currency translation gains/(losses)	(14)	2	53	55	1	(24)	32	18
Acquisitions and disposals (excluding cash)	-	(1)	-	(1)	(2)	-	(3)	(3)
Other non-cash movements	-	-	(13)	(13)	-	15	2	2
At 30 September 2012	728	(58)	(1,699)	(1,757)	(28)	84	(1,701)	(973)
At 1 October 2012	**728**	**(58)**	**(1,699)**	**(1,757)**	**(28)**	**84**	**(1,701)**	**(973)**
Net increase/(decrease) in cash and cash equivalents	**297**	**-**	**-**	**-**	**-**	**-**	**-**	**297**
Cash inflow from issue of bonds	**-**	**-**	**(563)**	**(563)**	**-**	**-**	**(563)**	**(563)**
Cash (inflow)/outflow from other changes in gross debt	**-**	**40**	**11**	**51**	**-**	**(42)**	**9**	**9**
Cash outflow from repayment of obligations under finance leases	**-**	**-**	**-**	**-**	**9**	**-**	**9**	**9**
Increase in net debt as a result of new finance leases taken out	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**(2)**
Currency translation gains/(losses)	**(19)**	**(2)**	**(19)**	**(21)**	**-**	**72**	**51**	**32**
Acquisitions and disposals (excluding cash)	**-**	**-**	**-**	**-**	**-**		**-**	**-**
Other non-cash movements	**-**	**-**	**46**	**46**	**-**	**(48)**	**(2)**	**(2)**
At 30 September 2013	**1,006**	**(20)**	**(2,224)**	**(2,244)**	**(21)**	**66**	**(2,199)**	**(1,193)**

Other non-cash movements are comprised as follows:

Other non-cash movements in net debt	2013 £m	2012 £m
Amortisation of fees and discount on issuance	**(2)**	(2)
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	**4**	4
Swap monetisation credit	**-**	2
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**44**	(17)
Bank and other borrowings	**46**	(13)
Changes in the value of derivative financial instruments including accrued income	**(48)**	15
Other non-cash movements	**(2)**	2

30 Contingent liabilities

Performance bonds, guarantees and indemnities	2013 £m	2012 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings) [1]	**414**	383

(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 32.

Performance bonds, guarantees and indemnities

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

Eurest Support Services

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

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

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

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

Other litigation and claims

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

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

Outcome

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

31 Capital commitments

Capital commitments	**2013 £m**	2012 £m
Contracted for but not provided for	**151**	120

The majority of capital commitments are for intangible assets.

32 Operating lease and concessions commitments

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

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

	2013			2012		
	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	**49**	**46**	**55**	52	47	61
Falling due between 2 and 5 years	**128**	**61**	**73**	124	64	85
Falling due in more than 5 years	**84**	**6**	**44**	79	5	57
Total	**261**	**113**	**172**	255	116	203

33 Related party transactions

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

Subsidiaries

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

Joint ventures

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

Associates

The balances with associated undertakings are shown in note 21. There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of Directors and key management personnel is set out in 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.

34 Post balance sheet events

There have been no material post balance sheet events.

35 Exchange rates

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

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

36 Details of principal subsidiary companies

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

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

(1) Held directly by the Parent Company.