



## Annual results announcement for the year ended 30 September 2014

### Disciplined growth delivering shareholder value

	Underlying <sup>1</sup>	Year on year change <sup>2</sup>	Reported
Revenue	£17.1 billion	+4.1% <sup>3</sup>	£17.1 billion
Operating profit	£1,245 million	+5.9%	£1,217 million
Profit before tax	£1,159 million	+5.4%	£1,147 million
Earnings per share	48.7 pence	+10.5%	48.8 pence
Free cash flow	£741 million	-3.4%	£683 million
Full year dividend per share	26.5 pence	+10.5%	26.5 pence

<sup>1</sup> Full details can be found on page 10

<sup>2</sup> Measured on a constant currency basis except dividend per share

<sup>3</sup> Year on year change represents organic revenue growth

### Focus on organic growth and efficiencies delivers another strong performance

- Organic revenue growth of 4.1%, driven by good levels of new business wins and high retention rates
- Delivered 10 basis points of margin improvement, significant efficiencies partly reinvested in the business

### Increasing momentum in all regions

- Strong organic revenue growth in North America with acceleration in the second half and high levels of new business and retention
- Conditions in Europe & Japan continued to improve, with 20 basis points margin progression and a healthy sales pipeline
- Accelerating growth in emerging markets, driven by the ongoing structural shift to outsourcing, moderated by slowdown in Australia

### Ongoing delivery underpins shareholder returns and confidence in outlook

- Proposed full year dividend increase of 10.5% to 26.5 pence; £1 billion of cash returned to shareholders during the year; ongoing £500 million share buyback
- Compass remains well placed to capitalise on exciting structural growth opportunities in our markets globally

**Richard Cousins, Group Chief Executive, said:**

“Compass has had another good year, with strong growth in North America and Fast Growing & Emerging and further improvement in Europe & Japan. This, combined with our ongoing focus on efficiencies, has enabled us to continue to improve margins. We generated good levels of cash flow, which has allowed us to reinvest in the business and reward shareholders through a proposed increase in the dividend alongside our ongoing £500 million share buyback. We also optimised our balance sheet and returned a further £1 billion to shareholders through a special dividend announced in May.

Our strategy is clear. Food is and will remain our core competence and is backed with some strong support service businesses. All our markets have exciting opportunities and as a result we are investing more resources around the world to deliver strong growth. At the same time we remain disciplined with regards to margins. I remain positive about our potential for continuing progress in the years ahead.”

## Chief Executive's Statement

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### Group overview

Revenue for the Group increased by 4.1% on a constant currency basis in the year to 30 September 2014. Adjusting for the impact of acquisitions and disposals, organic revenue growth for the period remained strong at 4.1%. However due to the significant strengthening of sterling against many of the Group's key currencies, reported Group revenue declined by 2.8%.

During the year, we delivered new business growth of 8.5%, driven by strong performances in MAP 1 (client sales and marketing) in North America and Fast Growing & Emerging and an improving performance in Europe & Japan. Our retention rate also remained high at 93.5%, despite the effect of our planned exit of certain uneconomic contracts in Europe and some site closures associated with the slowdown in the Australian resources sector.

Like for like revenue growth of 2.1% reflects modest price increases and slightly positive like for like volume. Like for like volume continues to be broadly flat in North America and positive in Fast Growing & Emerging. In Europe & Japan, like for like volume, although still negative overall, has shown an improving trend over the period. 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 5.9% in the year on a constant currency basis, with the underlying operating profit margin increasing by 10 basis points to 7.2%. We have continued to drive efficiencies across the business using our management and performance framework, MAP. 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). As well as enabling us to deliver further operating margin improvement, these efficiencies are helping us to invest to support the exciting growth opportunities we see around the world and mitigate negative volumes in parts of Europe.

## Chief Executive's Statement (continued)

### Regional Performances

#### North America – 48.1% Group revenue (2013: 46.4%)

Regional financial summary	2014	2013	Change		
			Reported	Constant currency	Organic
Revenue	<b>£8,199m</b>	£8,150m	0.6%	7.2%	6.8%
Operating profit (underlying)	<b>£666m</b>	£657m	1.4%	7.9%	-
Operating margin	<b>8.1%</b>	8.1%	5bps	-	-

We have had another excellent year in our North American business. Overall revenue of £8.2 billion (2013: £8.2 billion) and organic revenue growth of 6.8% was driven by strong new business wins and excellent retention rates. Like for like volume has remained broadly flat.

Operating profit increased by £49 million on a constant currency basis to £666 million (2013: £617 million). Continued progress on efficiencies and leveraging of the overhead base have, in part, been reinvested in the business to support the high levels of organic growth. Operating profit grew 8% and margin improved by 5 basis points.

In the Business & Industry sector, we have delivered good levels of net new business. New wins include contracts with Amazon.com, T-Mobile and SAP as well as the provision of support services to United Technologies. Like for like volume has remained broadly flat in this sector.

Organic revenue growth in the Healthcare & Seniors sector was solid with good levels of new business wins. In the food service business we have won new contracts with the Parkland Health & Hospital System and Baptist Housing senior living in Canada. New support service contracts include NYC Health & Hospital and the CJW Medical Centre.

Good organic revenue growth in the Education sector was driven by increased participation and strong new business wins, including food contracts with McGill University in Canada, Rowan University and the Rochester City Schools District. New support service contracts include the Sacred Heart University as well as the provision of additional services to Texas A&M.

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 NHL's Phoenix Coyotes, the Columbus Clippers based at Huntington Field and Texas A&M Athletics.

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

Chief Executive's Statement (continued)

*Europe & Japan – 33.5% Group revenue (2013: 34.4%)*

Regional financial summary	2014	2013	Reported	Change	
				Constant currency	Organic
Revenue	<b>£5,716m</b>	£6,039m	(5.3)%	(1.6)%	(1.5)%
Operating profit (underlying)	<b>£409m</b>	£420m	(2.6)%	1.2%	-
Operating margin	<b>7.2%</b>	7.0%	20bps	-	-

Over the year, we saw steady improvement in the economic conditions of certain markets in the region although trading conditions in others remain difficult. Overall, revenue in Europe & Japan totalled £5.7 billion (2013: £6.0 billion), an organic decline of 1.5%, half the rate of the previous year.

The investment in, and focus on, MAP 1 sales and retention processes are starting to deliver, with good levels of new business seen in the UK, Spain and across the Nordics. The exit of certain uneconomic contracts is now complete, and has, as expected, impacted our retention rate during the year. We have won contracts with the Ville de Cannes and the Philharmonie de Paris and retained contracts with Chelsea Football Club and Somerset House in the UK, ENI Group in Italy, Lundbeck in Denmark and The International School of Luxembourg.

The rate of like for like volume decline has slowed compared to 2013 and the decline in organic revenue is now around half the level seen last year at 1.5%. We have seen differing trends across the region. In North and East Europe, like for like volume is broadly unchanged whereas in the UK, Germany, Netherlands and across Southern Europe although volumes remain negative, the trends are improving. We have seen some increased pressure on like for like volumes in France and Italy through the year, whilst trends in Japan remain unchanged.

Progress on operational efficiencies and cost reduction increased constant currency operating profit by £5 million, or 1.2%, to £409 million (2013: £404 million). This equates to 20 basis points of operating margin progression to 7.2%.

Chief Executive's Statement (continued)

**Fast Growing & Emerging – 18.4% Group revenue (2013: 19.2%)**

Regional financial summary	2014	2013	Change		
			Reported	Constant currency	Organic
Revenue	<b>£3,143m</b>	£3,368m	(6.7)%	7.5%	8.1%
Operating profit (underlying)	<b>£226m</b>	£242m	(6.6)%	7.6%	-
Operating margin	<b>7.2%</b>	7.2%	0 bps	-	-

We delivered good organic revenue growth throughout the year despite softening volumes in some markets. Accelerated growth in the emerging markets, with strong levels of new business, was somewhat moderated by the slowdown in the Australian offshore and remote sector. Therefore, the region as a whole delivered organic revenue growth of 8.1% with revenue of £3.1 billion (2013: £3.4 billion). Overall, operating profit increased by £16 million on a constant currency basis to £226 million (2013: £210 million). As a result of our continued investment to support the many growth opportunities in this region, operating margin at 7.2% was flat versus last year.

In line with expectations, Australia delivered flat organic revenue growth due to the slowdown in the offshore and remote sector. However Education and Healthcare continue to see good levels of new business with contract wins including a contract with Children's Health Queensland to provide services at the Lady Cilento Children's Hospital.

In Brazil, new business wins remain excellent across all sectors, including food service contracts with Usiminas and Vale, and the pipeline remains encouraging. Moderate pressure on volumes is being compensated by improved retention and an increase in first time outsourcing, and as a result overall organic revenue growth is strong. With continued focus on cost efficiencies the business is in an excellent position to drive future growth. Elsewhere in LATAM we are also seeing good organic growth partly driven by several large new offshore and remote site contracts, including Bechtel in Chile.

Strong organic revenue growth in Turkey was driven by new business wins and like for like revenue growth. New contracts include the food service provision for Aksa, a food and support service contract with BP as well as the retention of Phillip Morris International and Bosch.

Elsewhere in the region we have further developed our relationship with Chevron and have agreed a new international agreement, retaining our Angolan business. We have also won a large contract in South Africa to provide food to Netcare, a chain of 52 hospitals.

India and China have again delivered good double digit growth, driven by strong new business wins. We have won food service contracts with Intel and Capgemini in India and with Lenovo and Tencent in China as well as several international schools including the International School of Beijing.

## Chief Executive's Statement (continued)

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### Strategy

#### *Focus on food*

Food remains our core business. The structural opportunity in the outsourced food service market, estimated at more than £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 regulatory changes put increasing pressure on organisations' budgets. As one of the largest providers in all of our sectors, we are well placed to benefit from these trends.

#### *Growing support services*

Support 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, where the model is almost universally food combined with support service. Outside this, we have an excellent support service business in North America and some well established operations in other parts of the world. 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 to address the local and international opportunity.

#### *Geographic spread and emerging markets*

Our geographic strategy remains unchanged. Over the last ten years the Group has evolved significantly from a predominantly European-based business with just over £11 billion of revenue to the £17 billion global business today. During this time we have halved the number of countries in which we operate.

We expect North America (48% of Group revenue) to remain the principal growth engine for the Group. We have a market leading business with excellent management teams delivering high levels of growth and steady margin expansion. The outsourcing culture is vibrant and the addressable market is significant.

The fundamentals of our businesses in Europe & Japan (34% of Group revenue) are good and we see many opportunities to drive growth in revenue and margin. The actions we have taken to reduce cost and make our operations more competitive are enabling us to increase investment in MAP 1 sales and retention. This, combined with better economic conditions, is delivering an improving trend in organic revenue.

Fast Growing & Emerging (18% of Group revenue) is an exciting part of our business. We have a strong presence in key markets such as Brazil and Turkey, and we are growing rapidly in India and China. With the growth potential they offer, we are investing in opportunities and we would hope to see high levels of growth maintained well into the future.

Our future looks balanced. Our business in North America is in great shape and growing strongly, and we are seeing a clear acceleration in the emerging markets. The trends in our European business are improving.

## Chief Executive's Statement *(continued)*

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### *Organic growth, supplemented by infill acquisitions*

Sustainable and quality organic growth is our key priority but we continue to seek infill acquisitions where they deliver value to the business. Our focus is on small to medium sized infill acquisitions in food and support services in our existing geographies, bringing on board quality businesses and strong management teams. We continue to target financial returns ahead of our cost of capital by the end of the second year.

### *Ongoing drive for efficiencies*

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

### *Uses of cash and balance sheet priorities*

The Group's cash flow generation remains strong and it will continue to be a key part of the business model. Going forward, our priorities for how we use our cash are the same: (i) we will continue to invest in capital expenditure to support organic growth where we see good returns; (ii) we remain committed to growing the dividend broadly in line with constant currency earnings; (iii) we look to make small to medium sized infill acquisitions. After making these investments, we will maintain an efficient balance sheet through returns to shareholders whilst continuing to target strong investment grade credit ratings.

### **Summary and outlook**

Compass has had a good year, delivering solid organic revenue growth and a 10 basis point increase in the Group operating margin. North America and Fast Growing & Emerging, which account for two thirds of Group revenue, have grown strongly and we are encouraged by the improvement seen through the year in Europe & Japan. Looking ahead to next year, the pipeline of new contracts is healthy and we expect to see further good performances in all of our regions.

Looking to the longer term, we remain excited about the attractive structural growth opportunities in our markets globally and we believe we are well placed to capitalise on them. We also expect to deliver further cost efficiencies, which will help to support future growth and enable us to make further progress in the operating margin. As a result, we remain confident in our ability to continue to create significant value for our shareholders.



**Richard Cousins**  
Group Chief Executive  
26 November 2014



## Business Review

### Financial Summary

	2014	2013	Increase / (Decrease)
<b>Continuing operations</b>			
<b>Revenue</b>			
Constant currency	£17,058m	£16,380m	4.1%
Reported	£17,058m	£17,557m	(2.8)%
Organic growth	4.1%	4.3%	
<b>Total operating profit</b>			
Constant currency	£1,245m	£1,176m	5.9%
Underlying	£1,245m	£1,265m	(1.6)%
Reported	£1,217m	£802m	51.7%
<b>Operating margin</b>			
Constant currency	7.2%	7.1%	+10bps
Underlying	7.2%	7.1%	+10bps
Reported	7.1%	4.5%	+260bps
<b>Profit before tax</b>			
Underlying	£1,159m	£1,188m	(2.4)%
Reported	£1,147m	£721m	59.1%
<b>Basic earnings per share</b>			
Constant currency	48.7p	44.1p	10.5%
Underlying	48.7p	47.7p	2.1%
Reported	48.8p	23.3p	109.4%
<b>Free cash flow</b>			
Constant currency	£741m	£767m	(3.4)%
Underlying	£741m	£834m	(11.1)%
Reported	£683m	£762m	(10.4)%
<b>Total Group including discontinued operations</b>			
Basic earnings per share	49.0p	23.5p	108.5%
Full year dividend per ordinary share	26.5p	24.0p	10.5%

## Business Review (continued)

### Segmental Performance

	Revenue		Revenue Growth		
	2014	2013	Constant		
	£m	£m	Reported	Currency	Organic
<b>Continuing operations</b>					
North America	8,199	8,150	0.6%	7.2%	6.8%
Europe & Japan	5,716	6,039	(5.3)%	(1.6)%	(1.5)%
Fast Growing & Emerging	3,143	3,368	(6.7)%	7.5%	8.1%
<b>Total</b>	<b>17,058</b>	<b>17,557</b>	<b>(2.8)%</b>	<b>4.1%</b>	<b>4.1%</b>

	Total Operating Profit		Operating Margin	
	2014	2013	2014	2013
	£m	£m	%	%
<b>Continuing operations</b>				
North America	666	657	8.1%	8.1%
Europe & Japan	409	420	7.2%	7.0%
Fast Growing & Emerging	226	242	7.2%	7.2%
Unallocated overheads	(65)	(64)	-	-
Excluding associates	1,236	1,255	7.2%	7.1%
Associates	9	10		
Underlying	1,245	1,265		
Amortisation of intangibles arising on acquisitions	(25)	(25)		
Acquisition transaction costs	(3)	(3)		
Adjustment to contingent consideration on acquisition	-	1		
European exceptional	-	(59)		
Goodwill impairment	-	(377)		
<b>Total</b>	<b>1,217</b>	<b>802</b>		

- (1) Constant currency restates the prior year results to 2014's average exchange rates.
- (2) Total operating profit includes share of profit of associates.
- (3) Underlying operating profit and margin excludes European exceptional cost, goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.
- (4) Operating margin is based on revenue and operating profit excluding share of profit of associates.
- (5) Underlying net finance cost excludes hedge accounting ineffectiveness and the change in the fair value of investments and non-controlling interest put options.
- (6) Underlying profit before tax excludes European exceptional cost, goodwill impairment, profit on disposal of US businesses, profit on disposal of interest in associates, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness and change in the fair value of investments.
- (7) Underlying basic earnings per share excludes European exceptional cost, goodwill impairment, profit on disposal of US businesses, profit on disposal of interest in associates, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness, change in the fair value of investments, the tax attributable to these and the exceptional recognition of tax losses in prior years.
- (8) Underlying cash flow adjusts for the £58 million of European exceptional cash costs (2013: £72 million of European exceptional cash costs).
- (9) Organic revenue growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full year in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior year at current year exchange rates) and compares the current year results against the prior year.

## Business Review (continued)

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### Revenue

Overall, organic revenue growth for the year was 4.1%, comprising new business of 8.5%, a retention rate of 93.5% and like for like growth of 2.1%. The impact from acquisitions less disposals was negligible resulting in constant currency revenue growth of 4.1%. There was a 6.9% negative impact from currency translation resulting in reported revenue decline of 2.8%.

### Operating Profit

Underlying operating profit from continuing operations was £1,245 million (2013: £1,265 million), a decrease of 1.6%.

The impact of currency movements on the results for the year has been significant. If we restate 2013's results at the 2014 average exchange rates for the year, revenue would reduce by £1,177 million, or 6.7%, and underlying operating profit would reduce by £89 million, or 7.0%.

On a constant currency basis, underlying operating profit has therefore increased by £69 million, an increase of 5.9%. A total of £65 million has been delivered from organic growth and £4 million from acquisitions less disposals.

Operating profit, after the European exceptional cost of £nil (2013: £59 million), goodwill impairment of £nil (2013: £377 million), amortisation of intangibles arising on acquisition of £25 million (2013: £25 million), acquisition transaction costs of £3 million (2013: £3 million) and adjustment to contingent consideration on acquisition of £nil (2013: £1 million credit), was £1,217 million (2013: £802 million).

### Finance Costs

The underlying net finance cost was £86 million (2013: £77 million), including a £7 million (2013: £11 million) charge relating to the pension deficit and a £6 million cost of the additional debt required to finance the £1 billion return of cash and the ongoing £500 million share buyback.

For 2015, we expect an underlying net finance cost of around £115 million, reflecting the full year cost of the additional debt. This equates to an effective interest rate of around 4% on gross debt.

### Other Gains and Losses

Other gains and losses include a £1 million profit (2013: £1 million loss) on the disposal of US businesses, a £13 million profit on the disposal of an investment in an associate and a £2 million profit relating to the change in the fair value of investments.

### Profit Before Tax

Profit before tax from continuing operations was £1,147 million (2013: £721 million). On an underlying basis, profit before tax from continuing operations decreased by 2.4% to £1,159 million (2013: £1,188 million).

### Income Tax Expense

Income tax expense from continuing operations was £279 million (2013: £287 million).

On an underlying basis, the tax charge on continuing operations was £293 million (2013: £309 million), equivalent to an effective tax rate of 25% (2013: 26%). We expect the tax rate to continue to average out around this level in the short to medium term.

## Business Review (continued)

### Basic Earnings per Share

Basic earnings per share, including discontinued operations, were 49.0 pence (2013: 23.5 pence).

On an underlying basis, excluding discontinued operations, the basic earnings per share from continuing operations were 48.7 pence (2013: 47.7 pence). After adjusting for currency movements, basic earnings per share increased by 10.5%.

	Attributable Profit		Basic Earnings per Share		
	2014 £m	2013 £m	2014 pence	2013 pence	Change %
Reported	<b>865</b>	429	<b>49.0</b>	23.5	108.5%
Discontinued operations	<b>(3)</b>	(3)	<b>(0.2)</b>	(0.2)	-
Other adjustments	<b>(2)</b>	445	<b>(0.1)</b>	24.4	-
Underlying	<b>860</b>	871	<b>48.7</b>	47.7	2.1%
Currency	-	(65)	-	(3.6)	-
Constant currency	<b>860</b>	806	<b>48.7</b>	44.1	10.5%

### Dividends

It is proposed that a final dividend of 17.7 pence per share will be paid on 23 February 2015 to shareholders on the register on 23 January 2015. This will result in a total dividend for the year of 26.5 pence per share (2013: 24.0 pence per share), a year on year increase of 10.5%. The dividend is covered around 1.8 times on an underlying earnings 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 £683 million (2013: £762 million). During the year, we incurred a £58 million outflow (2013: £72 million outflow) in respect of the European exceptional. Adjusting for this, free cash flow would have been £741 million.

Gross capital expenditure of £471 million (2013: £469 million) is equivalent to 2.7% of revenues (2013: 2.7% of revenues). We will continue to invest to support the growth agenda and expect capital expenditure to be around 2.5% of revenues.

Excluding pensions and provisions, trade working capital has increased by £16 million (2013: decrease of £102 million). Looking forward, annual trade working capital movements are expected to be broadly neutral.

The cash outflow of £45 million (2013: £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 23% (2013: 22%), based on underlying profit before tax for the continuing operations. The rate was slightly lower than the short to medium term expected level in the mid-20s but marginally increased on the prior year.

## Business Review (continued)

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The net interest outflow for the year was £71 million (2013: £65 million).

### Acquisition Payments

Spend on acquisitions in the year, net of cash acquired, totalled £128 million (2013: £104 million). This includes £107 million of infill acquisitions, £3 million on acquisition transaction costs and £18 million of deferred consideration relating to prior year acquisitions.

In addition, the Group increased its investments in associates in the year, with a gross spend of £48 million which was a net additional investment of £16 million after accounting for disposal proceeds of £32 million.

### Disposals

The Group received £66 million in respect of disposals, including £32 million proceeds from the disposal of an investment in an associate, plus the disposal of some other small non-core businesses (2013: £8 million). £1 million was paid in the year in respect of businesses disposed of or discontinued in prior years (2013: £1 million) and £4 million tax was paid (2013: £nil) on profits from sale of subsidiary companies.

### Purchase of Own Shares

During the year, the Group completed the £400 million share buyback programme announced in November 2012 and began the £500 million share buyback programme announced in November 2013. In the year, a total of £280 million has been paid of which £175 million relates to the new programme. The Group intends to continue with the current £500 million share buyback programme and is on track to complete in the middle of 2015.

### Proceeds from Issue of Share Capital

The Group received cash of £5 million in the year (2013: £9 million) from the issue of shares following the exercise of employee share options.

### Return on Capital Employed

Return on capital employed was 19.3% (2013: 19.1%) based on underlying operations, net of tax at the effective underlying rate of 25% (2013: 26%), and excluding the Group's non-controlling partners' share of total operating profit. The average capital employed used is £4,799 million (2013: £4,878 million), which is based on the 12 month average balance sheet, adding back the post-employment benefit obligations (net of associated deferred tax), impaired goodwill and amortised intangibles arising on acquisition and excluding the Group's non-controlling partners' share of net assets.

### Return of Cash

On 11 June 2014 shareholder approval was given at an Extraordinary General Meeting of a return of 56 pence per share, which was equivalent to £1 billion in aggregate, to shareholders through a special dividend and share consolidation. Shareholders elected to receive their cash proceeds as income, capital or a combination of the two, although restrictions applied to shareholders resident or located in certain territories. The Return of Cash was paid on 29 July 2014 to shareholders on the register on 7 July 2014.

## Business Review (continued)

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### Pensions

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

The Group's total pension fund deficit at 30 September 2014, calculated on the accounting basis in accordance with IAS 19 (R), was £176 million (2013: £209 million, as restated), largely due to the strong performance of bonds and equities during the year. The total pensions charge for defined contribution schemes in the year was £85 million (2013: £80 million) and £21 million (2013: £32 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £7 million charge to net finance costs (2013: £11 million).

### Shareholder Return

The market price of the Group's ordinary shares at the close of the financial year was 996.5 pence per share (2013: 850.0 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 Financial Reporting Council has recommended that companies comment on their exposure to risks from the eurozone crisis. The Group's liquidity risk (the ability to service short-term liabilities) is considered low in all scenarios other than a fundamental collapse of the financial markets.

At 30 September 2014, 4% of the Group's revenues were generated from clients located in Italy, Spain, Portugal and the Republic of Ireland. The Group believes that any potential exposure in relation to outstanding receivables due from clients located in those countries is covered by its existing provisions. No clients or Group assets are located in Greece.

As uncertainty over the eurozone economies persists and government austerity measures take effect, growth rates and consumer demand can be expected to remain under pressure. The Group continues to monitor the level of exposures when responding to these risks and compiling business forecasts.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out on pages 16 to 19.

### Related Party Transactions

Details of transactions with related parties are set out in note 32. 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 £16,680 million as at 30 September 2014 was 14% (2013: 8%).

At the end of the year, net debt was £2,331 million (2013: £1,193 million).

## Business Review (continued)

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### 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  
26 November 2014

## Focus on Risk

### 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 consumers and safeguarding the interests of the Company and its shareholders in the constantly changing environment in which it operates.

As set out in the Corporate Governance section 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 maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process, and core activities throughout the Group.

The table below sets out the principal risks and uncertainties facing the business at the date of this Report. These have been subject to robust assessment and review. They do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this Report may also have an adverse effect on the Group.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Additionally, there are risks (such as those relating to the eurozone economy and the international corporate tax environment, pensions, and acquisitions and investments) which vary in importance depending on changing conditions. All risks disclosed in previous years can be found in the Annual Reports available on our website at [www.compass-group.com](http://www.compass-group.com). We recognise that these risks remain important to the business and they are kept under review. However, we have focused the disclosures on pages 16 to 19 on those risks that are currently considered to be more significant to the Group.

Risk	Description	Examples of Mitigation
<i>Health and safety</i>	Health and safety is our number one operational priority. We are focused on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation. Compass feeds millions of consumers and employs thousands of people around the world every day. Therefore setting the highest standards for food hygiene and safety is paramount.	All management meetings throughout the Group feature a health and safety update as their first agenda item. Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. The safety and quality of our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.



Focus on Risk (continued)

Risk	Description	Examples of Mitigation
<b>Clients and Customers</b>		
<b><i>Client and consumer sales and retention</i></b>	Our business relies on securing and retaining a diverse range of clients.	We have strategies which strengthen our long term relationships with our clients and consumers based on quality, value and innovation. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.
<b><i>Bidding</i></b>	Each year, the Group could bid for a large number of opportunities.	A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards, prior to approval at an appropriate level in the organisation.
<b><i>Service delivery and contractual compliance</i></b>	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to loss of business.	Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.
<b><i>Competition</i></b>	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 of 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 and focusing on our points of strength, such as flexibility in our cost base, quality and value of service and innovation.

Focus on Risk (continued)

Risk	Description	Examples of Mitigation
<b>People</b>		
<b>Recruitment</b>	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business.	The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation and through offering training and development programmes.
<b>Retention and motivation</b>	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group.	<p>The Group has established training, development, performance management and reward programmes to retain, develop and motivate our best people.</p> <p>The Group has a well established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.</p>
<b>Information systems and technology</b>		
	The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation.	<p>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.</p> <p>The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees.</p> <p>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.</p>

Focus on Risk (continued)

Risk	Description	Examples of Mitigation
<b>Economic and political Environment</b>		
<i>Economy</i>	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels.	With the variable and flexible nature of our cost base, it is generally possible to contain the impact of these adverse conditions.
<i>Cost inflation</i>	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour or food could constitute a risk to our ability to do this.	As part of our MAP framework, we seek to manage inflation through continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.
<i>Political stability</i>	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 and we try to anticipate and contribute to important changes in public policy.
<b>Compliance and fraud</b>		
	Ineffective compliance management with laws and regulations, or evidence of fraud, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance if significant financial penalties are levied or a criminal action is brought against the Company or its directors.	<p>The Group's zero tolerance based Codes of Business Conduct and Ethics govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated.</p> <p>The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.</p> <p>Regulation and compliance risk is also considered as part of our annual business planning process.</p>

## Compass Group PLC Consolidated Financial Statements

### Directors' responsibilities

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

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

We confirm that to the best of our knowledge:

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

On behalf of the Board



**Mark White**  
General Counsel and Company Secretary  
26 November 2014

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors 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 corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated Financial Statements (continued)

### Consolidated income statement

for the year ended 30 September 2014

	Notes	Total 2014 £m	Before exceptional items 2013 £m	Exceptional items 2013 £m	Total 2013 £m
<b>Continuing operations</b>					
Revenue	1	17,058	17,557	-	17,557
Operating costs before goodwill impairment	2	(15,850)	(16,329)	(59)	(16,388)
Goodwill impairment	2, 10	-	-	(377)	(377)
<b>Operating profit</b>	1	<b>1,208</b>	1,228	(436)	792
Share of profit of associates	1, 13	9	10	-	10
<b>Total operating profit</b>	1	<b>1,217</b>	1,238	(436)	802
Profit/(loss) on disposal of US businesses	5	1	(1)	-	(1)
Profit on disposal of interest in associates	13	13	-	-	-
Finance income	4	5	8	-	8
Finance costs	4	(91)	(85)	-	(85)
Hedge accounting ineffectiveness	4	-	(3)	-	(3)
Change in the fair value of investments	4	2	-	-	-
<b>Profit before tax</b>		<b>1,147</b>	1,157	(436)	721
Income tax expense	6	(279)	(303)	16	(287)
<b>Profit for the year from continuing operations</b>	1	<b>868</b>	854	(420)	434
<b>Discontinued operations</b>					
<b>Profit for the year from discontinued operations</b>	7	<b>3</b>	3	-	3
<b>Continuing and discontinued operations</b>					
<b>Profit for the year</b>		<b>871</b>	857	(420)	437
<b>Attributable to</b>					
Equity shareholders of the Company	8	865	849	(420)	429
Non-controlling interests		6	8	-	8
<b>Profit for the year</b>		<b>871</b>	857	(420)	437
<b>Basic earnings per share (pence)</b>					
From continuing operations	8	48.8p			23.3p
From discontinued operations	8	0.2p			0.2p
From continuing and discontinued operations	8	49.0p			23.5p
<b>Diluted earnings per share (pence)</b>					
From continuing operations	8	48.7p			23.2p
From discontinued operations	9	0.2p			0.2p
From continuing and discontinued operations	9	48.9p			23.4p

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

## Consolidated Financial Statements (continued)

### Analysis of operating profit

for the year ended 30 September 2014

	Notes	Total 2014 £m	Total 2013 £m
<b>Continuing operations</b>			
Underlying operating profit before share of profit of associates		1,236	1,255
Share of profit of associates		9	10
Underlying operating profit <sup>(1)</sup>		1,245	1,265
Amortisation of intangibles arising on acquisition	11	(25)	(25)
Acquisition transaction costs	26	(3)	(3)
Adjustment to contingent consideration on acquisition		-	1
Operating profit after costs relating to acquisitions and disposals before exceptional items		1,217	1,238
European exceptional	2	-	(59)
Goodwill impairment	2, 10	-	(377)
<b>Total operating profit</b>		<b>1,217</b>	<b>802</b>

(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 2014

	Notes	2014 £m	2013 £m
<b>Profit for the year</b>		<b>871</b>	<b>437</b>
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to profit or loss</b>			
Remeasurement of post employment benefit obligations - loss		(148)	(80)
Return on plan assets, excluding interest income - gain	23	137	119
Tax on items relating to the components of other comprehensive income	6	3	(9)
		(8)	30
<b>Items that are may be reclassified subsequently to profit or loss</b>			
Currency translation differences		(103)	(80)
		(103)	(80)
<b>Total other comprehensive income/(loss) for the year</b>		<b>(111)</b>	<b>(50)</b>
<b>Total comprehensive income for the year</b>		<b>760</b>	<b>387</b>
<b>Attributable to</b>			
Equity shareholders of the Company		754	379
Non-controlling interests		6	8
<b>Total comprehensive income for the year</b>		<b>760</b>	<b>387</b>

Consolidated Financial Statements (continued)

Consolidated statement of changes in equity

for the year ended 30 September 2014

	Attributable to equity shareholders of the Company						Non-controlling interests	Total
	Share capital	Share premium account	Capital redemption reserve	Own shares	Other reserves	Retained earnings <sup>(1)</sup>		
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2013 as previously reported	180	400	55	(1)	4,374	(2,226)	9	2,791
Past service cost recognised in accordance with IAS 19 (R)	-	-	-	-	-	(1)	-	(1)
At 1 October 2013 as restated	180	400	55	(1)	4,374	(2,227)	9	2,790
Profit for the year	-	-	-	-	-	865	6	871
Other comprehensive income								
Currency translation differences	-	-	-	-	(103)	-	-	(103)
Remeasurement of post employment benefit obligations - loss	-	-	-	-	-	(148)	-	(148)
Return on plan assets, excluding interest income - gain	-	-	-	-	-	137	-	137
Tax on items relating to the components of other comprehensive income	-	-	-	-	(3)	6	-	3
Total other comprehensive income	-	-	-	-	(106)	(5)	-	(111)
Total comprehensive income for the year	-	-	-	-	(106)	860	6	760
Issue of shares (for cash)	1	6	-	-	-	-	-	7
Share issue expenses	-	(2)	-	-	-	-	-	(2)
B' and C' shares issued through capitalisation of share premium	235	(235)	-	-	-	-	-	-
Redemption and cancellation of B' shares	(235)	-	235	-	-	-	-	-
Fair value of share-based payments	-	-	-	-	13	-	-	13
Tax on items taken directly to equity (note 6)	-	-	-	-	-	6	-	6
Share buy back <sup>(2)</sup>	(3)	-	3	-	-	(280)	-	(280)
Release of LTIP award settled by issue of new shares	-	5	-	-	(5)	-	-	-
Other changes	-	-	-	-	1	3	(1)	3
	178	174	293	(1)	4,277	(1,638)	14	3,297
Return of cash to Compass Shareholders (note 9)	-	-	-	-	-	(1,000)	-	(1,000)
Dividends paid to Compass Shareholders (note 9)	-	-	-	-	-	(444)	-	(444)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5)	(5)
At 30 September 2014	178	174	293	(1)	4,277	(3,082)	9	1,848

(1) 2013 has been restated for past service cost recognised in accordance with IAS 19 (R).

(2) Including stamp duty and brokers' commission.

Consolidated Financial Statements (continued)

<b>Other reserves</b>	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
At 1 October 2013	<b>162</b>	<b>4,170</b>	<b>7</b>	<b>35</b>	<b>4,374</b>
Other comprehensive income					
Currency translation differences	-	-	-	<b>(103)</b>	<b>(103)</b>
Tax on items relating to the components of other comprehensive income (note 6)	-	-	-	<b>(3)</b>	<b>(3)</b>
Total other comprehensive income	-	-	-	<b>(106)</b>	<b>(106)</b>
Total comprehensive income for the year	-	-	-	<b>(106)</b>	<b>(106)</b>
Fair value of share-based payments	<b>13</b>	-	-	-	<b>13</b>
Release of LTIP award settled by issue of new shares	<b>(5)</b>	-	-	-	<b>(5)</b>
Other changes	-	-	-	<b>1</b>	<b>1</b>
At 30 September 2014	<b>170</b>	<b>4,170</b>	<b>7</b>	<b>(70)</b>	<b>4,277</b>

Own shares held by the Group represent 54,941 new ordinary shares in Compass Group PLC (2013: 161,622 ordinary shares). 38,743 shares are held by the Compass Group Employee Share Trust ('ESOP') and 16,198 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 2014 was £0.5 million (2013: £1.4 million). The nominal value held at 30 September 2014 was £5,837 (2013: £16,162).

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 Financial Statements (continued)

Consolidated statement of changes in equity

for the year ended 30 September 2014

	Attributable to equity shareholders of the Company							Non-controlling interests	Total
	Share capital	Share premium account	Capital redemption reserve	Own shares	Other reserves	Retained earnings <sup>(1)</sup>			
	£m	£m	£m	£m	£m	£m	£m		
At 1 October 2012 as previously reported	186	386	49	(1)	4,445	(1,834)	10	3,241	
Past service cost recognised in accordance with IAS 19 (R)	-	-	-	-	-	(1)	-	(1)	
At 1 October 2012 as restated	186	386	49	(1)	4,445	(1,835)	10	3,240	
Profit for the year	-	-	-	-	-	429	8	437	
Other comprehensive income									
Currency translation differences	-	-	-	-	(80)	-	-	(80)	
Remeasurement of post employment benefit obligations - gain/(loss)	-	-	-	-	-	(80)	-	(80)	
Return on plan assets, excluding interest income - gain/(loss)	-	-	-	-	-	119	-	119	
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 <sup>(2)</sup>	(6)	-	6	-	-	(446)	-	(446)	
Release of LTIP award settled by issue of new shares	-	5	-	-	(5)	-	-	-	
Other changes	-	-	-	-	1	(5)	(3)	(7)	
Dividends paid to Compass shareholders (note 9)	180	400	55	(1)	4,374	(1,823)	15	3,200	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)	
At 30 September 2013	180	400	55	(1)	4,374	(2,227)	9	2,790	

(1) 2013 has been restated for past service cost recognised in accordance with IAS 19 (R).

(2) Including stamp duty and brokers' commission.

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

Compass Group PLC

Consolidated Financial Statements (continued)

**Consolidated balance sheet**

as at 30 September 2014

	Notes	2014 £m	2013 Restated <sup>(1)</sup> £m
<b>Non-current assets</b>			
Goodwill	10	3,565	3,620
Other intangible assets	11	1,010	886
Property, plant and equipment	12	729	714
Interests in associates	13	114	84
Other investments	14	36	41
Trade and other receivables	16	67	83
Deferred tax assets*	6	246	265
Derivative financial instruments**	20	50	63
<b>Non-current assets</b>		<b>5,817</b>	<b>5,756</b>
<b>Current assets</b>			
Inventories	17	270	255
Trade and other receivables	16	2,128	2,072
Tax recoverable*		32	32
Cash and cash equivalents**	18	431	1,006
Derivative financial instruments**	20	16	7
<b>Current assets</b>		<b>2,877</b>	<b>3,372</b>
<b>Total assets</b>		<b>8,694</b>	<b>9,128</b>
<b>Current liabilities</b>			
Short-term borrowings**	19	(297)	(104)
Derivative financial instruments**	20	(4)	(3)
Provisions	22	(161)	(189)
Current tax liabilities*		(148)	(162)
Trade and other payables	21	(3,139)	(3,054)
<b>Current liabilities</b>		<b>(3,749)</b>	<b>(3,512)</b>
<b>Non-current liabilities</b>			
Long-term borrowings**	19	(2,526)	(2,161)
Derivative financial instruments**	20	(1)	(1)
Post-employment benefit obligations	23	(176)	(209)
Provisions	22	(277)	(342)
Deferred tax liabilities*	6	(39)	(38)
Trade and other payables	21	(78)	(75)
<b>Non-current liabilities</b>		<b>(3,097)</b>	<b>(2,826)</b>
<b>Total liabilities</b>		<b>(6,846)</b>	<b>(6,338)</b>
<b>Net assets</b>		<b>1,848</b>	<b>2,790</b>
<b>Equity</b>			
Share capital	24	178	180
Share premium account		174	400
Capital redemption reserve		293	55
Less: Own shares		(1)	(1)
Other reserves		4,277	4,374
Retained earnings		(3,082)	(2,227)
<b>Total equity shareholders' funds</b>		<b>1,839</b>	<b>2,781</b>
<b>Non-controlling interests</b>		<b>9</b>	<b>9</b>
<b>Total equity</b>		<b>1,848</b>	<b>2,790</b>

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

(1) 2013 has been restated for past service cost recognised in accordance with IAS 19(R).

Approved by the Board of Directors on 26 November 2014 and signed on their behalf by

**Richard J Cousins**, Director

**Dominic Blakemore**, Director

**Compass Group PLC**

## Consolidated Financial Statements (continued)

### Consolidated cash flow statement

for the year ended 30 September 2014

	Notes	2014 £m	2013 £m
<b>Cash flow from operating activities</b>			
Cash generated from operations	27	1,442	1,485
One-off employer contributions to post-employment benefit obligations		-	(72)
Interest paid		(77)	(71)
Premium paid on options		-	-
Interest element of finance lease rentals		-	(2)
Tax received		24	24
Tax paid		(268)	(257)
<b>Net cash from operating activities</b>		<b>1,121</b>	<b>1,107</b>
<b>Cash flow from investing activities</b>			
Purchase of subsidiary companies and investments in associated undertakings <sup>(1)</sup>	26	(176)	(104)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities <sup>(1)</sup>	7	(1)	(1)
Proceeds from sale of subsidiary companies and associated undertakings - continuing activities <sup>(1)</sup>		66	8
Tax on profits from sale of subsidiary companies and associated undertakings		(4)	-
Purchase of intangible assets	11	(206)	(191)
Purchase of property, plant and equipment <sup>(3)</sup>	12	(263)	(276)
Proceeds from sale of property, plant and equipment/intangible assets		22	33
Purchase of other investments	14	(2)	-
Proceeds from sale of other investments	14	3	9
Dividends received from associated undertakings	13	7	6
Interest received		6	8
<b>Net cash used in investing activities</b>		<b>(548)</b>	<b>(508)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of ordinary share capital		5	9
Purchase of own shares <sup>(2)</sup>		(280)	(446)
Net increase in borrowings	28	597	554
Repayment of obligations under finance leases	28	(5)	(9)
Return of cash to Compass Shareholders	9	(1,000)	-
Equity dividends paid	9	(444)	(404)
Dividends paid to non-controlling interests		(5)	(6)
<b>Net cash used in financing activities</b>		<b>(1,132)</b>	<b>(302)</b>
<b>Cash and cash equivalents</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>	28	<b>(559)</b>	297
Cash and cash equivalents at beginning of the year	28	1,006	728
Currency translation losses on cash and cash equivalents	28	(16)	(19)
<b>Cash and cash equivalents at end of the year</b>	28	<b>431</b>	<b>1,006</b>

(1) Net of cash acquired or disposed and payments received or made under warranties and indemnities.

(2) Includes stamp duty and brokers' commission.

(3) Includes property, plant and equipment purchased under client commitments.

Consolidated Financial Statements (continued)

**Reconciliation of free cash flow from continuing operations**

for the year ended 30 September 2014

	2014	2013
	£m	£m
<b>Net cash from operating activities of continuing operations</b>	<b>1,121</b>	1,107
One-off employer contributions to post-employment benefit obligations	-	72
Purchase of intangible assets	<b>(206)</b>	(191)
Purchase of property, plant and equipment	<b>(263)</b>	(276)
Proceeds from sale of property, plant and equipment/intangible assets	<b>22</b>	33
Purchase of other investments	<b>(2)</b>	-
Proceeds from sale of other investments	<b>3</b>	9
Dividends received from associated undertakings	<b>7</b>	6
Interest received	<b>6</b>	8
Dividends paid to non-controlling interests	<b>(5)</b>	(6)
<b>Free cash flow from continuing operations</b>	<b>683</b>	762
Add back: Cash restructuring costs in the year	<b>58</b>	72
<b>Underlying free cash flow</b>	<b>741</b>	834

## Consolidated Financial Statements (continued)

### Notes to the consolidated financial statements

for the year ended 30 September 2014

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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.

#### 1 Segmental reporting

The management of the Group'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 Group'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			Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	
<b>Revenues</b> <sup>(1)</sup>				
<b>Year ended 30 September 2014</b>				
<b>External revenue</b> <sup>(2)</sup>	<b>8,199</b>	<b>5,716</b>	<b>3,143</b>	<b>17,058</b>
<b>Year ended 30 September 2013</b>				
External revenue <sup>(2)</sup>	8,150	6,039	3,368	17,557

	Sectors					Total £m
	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	
<b>Revenues</b> <sup>(1)</sup>						
<b>Year ended 30 September 2014</b>						
<b>External revenue</b> <sup>(2)</sup>	<b>6,783</b>	<b>2,815</b>	<b>3,515</b>	<b>1,857</b>	<b>2,088</b>	<b>17,058</b>
<b>Year ended 30 September 2013</b>						
External revenue <sup>(2)</sup>	7,121	2,820	3,559	1,784	2,273	17,557

(1) There is no inter-segmental trading.

(2) Continuing revenue from external customers arising in the UK, the Group's country of domicile, was £1,787 million (2013: £1,813 million). Continuing revenue from external customers arising in the US was £7,413 million (2013: £7,311 million). Continuing revenue from external customers arising in all foreign countries from which the Group derives revenue was £15,271 million (2013: £15,744 million).

Consolidated Financial Statements (continued)

1 Segmental reporting (continued)

	Geographical segments				Total
	North America	Europe & Japan	Fast Growing & Emerging	Central activities	
Result	£m	£m	£m	£m	£m
<b>Year ended 30 September 2014</b>					-
Operating profit before associates, exceptional items and costs relating to acquisitions <sup>(1)</sup>	666	409	226	(65)	1,236
European exceptional	-	-	-	-	-
Goodwill impairment	-	-	-	-	-
<b>Operating profit before associates and costs relating to acquisitions</b>	<b>666</b>	<b>409</b>	<b>226</b>	<b>(65)</b>	<b>1,236</b>
Less: Amortisation of intangibles arising on acquisition	(12)	(5)	(8)	-	(25)
Less: Acquisition transaction costs	(2)	(1)	-	-	(3)
Add: Adjustment to contingent consideration on acquisition	1	-	(1)	-	-
<b>Operating profit before associates - continuing</b>	<b>653</b>	<b>403</b>	<b>217</b>	<b>(65)</b>	<b>1,208</b>
Add: Share of profit of associates	6	3	-	-	9
<b>Total operating profit - continuing</b>	<b>659</b>	<b>406</b>	<b>217</b>	<b>(65)</b>	<b>1,217</b>
Profit on disposal of US businesses					1
Profit on disposal of interest in associates					13
Finance income					5
Finance costs					(91)
Hedge accounting ineffectiveness					-
Change in the fair value of investments					2
<b>Profit before tax</b>					<b>1,147</b>
Income tax expense					(279)
<b>Profit for the year from continuing operations</b>					<b>868</b>

	Geographical segments				Total
	North America	Europe & Japan	Fast Growing & Emerging	Central activities	
Result	£m	£m	£m	£m	£m
<b>Year ended 30 September 2013</b>					
Operating profit before associates, exceptional items and costs relating to acquisitions <sup>(1)</sup>	657	420	242	(64)	1,255
European exceptional	-	(59)	-	-	(59)
Goodwill impairment	-	(377)	-	-	(377)
<b>Operating profit before associates and costs relating to acquisitions</b>	<b>657</b>	<b>(16)</b>	<b>242</b>	<b>(64)</b>	<b>819</b>
Less: Amortisation of intangibles arising on acquisition	(10)	(6)	(9)	-	(25)
Less: Acquisition transaction costs	(1)	(1)	(1)	-	(3)
Add: Adjustment to contingent consideration on acquisition	1	-	-	-	1
<b>Operating profit before associates - continuing</b>	<b>647</b>	<b>(23)</b>	<b>232</b>	<b>(64)</b>	<b>792</b>
Add: Share of profit of associates	6	4	-	-	10
<b>Total operating profit - continuing</b>	<b>653</b>	<b>(19)</b>	<b>232</b>	<b>(64)</b>	<b>802</b>
Loss on disposal of US businesses					(1)
Finance income					8
Finance costs					(85)
Hedge accounting ineffectiveness					(3)
Change in the fair value of investments					-
<b>Profit before tax</b>					<b>721</b>
Income tax expense					(287)
<b>Profit for the year from continuing operations</b>					<b>434</b>

(1) Operating profit before associates, exceptional items and costs relating to acquisitions is the profit measure considered by the chief operating decision maker.

## Consolidated Financial Statements (continued)

### 2 Operating costs

#### Total operating costs

	Total 2014 £m	Before exceptional items 2013 £m	Exceptional items <sup>(1)</sup> 2013 £m	Total 2013 £m
<b>Operating costs</b>				
<i>Cost of food and materials:</i>				
Cost of inventories consumed	5,101	5,289	-	5,289
<i>Labour costs:</i>				
Employee remuneration (note 3)	7,794	8,072	59	8,131
<i>Overheads:</i>				
Depreciation - owned property, plant and equipment	187	176	-	176
Depreciation - leased property, plant and equipment	4	5	-	5
Amortisation - owned intangible assets	128	118	-	118
Impairment of goodwill in subsidiaries <sup>(1)</sup>	-	-	377	377
Property lease rentals	85	88	-	88
Other occupancy rentals - minimum guaranteed rent	62	74	-	74
Other occupancy rentals - rent in excess of minimum guaranteed rent	13	13	-	13
Other asset rentals	76	88	-	88
Audit and non-audit services (see below)	6	8	-	8
Other expenses	2,366	2,371	-	2,371
Operating costs before costs relating to acquisitions	15,822	16,302	436	16,738
Amortisation - intangible assets arising on acquisition	25	25	-	25
Acquisition transaction costs	3	3	-	3
Adjustment to contingent consideration on acquisition	-	(1)	-	(1)
<b>Total continuing operations</b>	<b>15,850</b>	<b>16,329</b>	<b>436</b>	<b>16,765</b>

(1) Impairment of goodwill recorded in income statement £nil (2013: £377 million included in 'Other Expenses' related to European exceptional).

#### Exceptional items

In the years ended 30 September 2013 and 2014, the following exceptional items were recorded:

	2014 £m	2013 £m
<b>European exceptional</b>		
Accelerated efficiencies	-	59
Total European exceptional	-	59
Goodwill impairment (note 10)	-	377
Total exceptional items	-	436

In 2013, we continued with our actions to improve the operational efficiency of our operations in Europe which we had started in 2012 and took an additional £59 million exceptional cost.

## Compass Group PLC

Consolidated Financial Statements (continued)

3 Employees

	2014 Number	2013 Number
<b>Average number of employees, including Directors and part-time employees</b>		
North America	<b>214,511</b>	205,969
Europe & Japan	<b>150,847</b>	153,915
Fast Growing & Emerging	<b>149,360</b>	146,815
<b>Total continuing operations</b>	<b>514,718</b>	506,699

	2014 £m	2013 £m
<b>Aggregate remuneration of all employees including Directors</b>		
Wages and salaries	<b>6,515</b>	6,713
Social security costs	<b>1,165</b>	1,304
Share-based payments	<b>15</b>	13
Pension costs - defined contribution plans	<b>85</b>	80
Pension costs - defined benefit plans	<b>14</b>	21
<b>Total continuing operations</b>	<b>7,794</b>	8,131



## Consolidated Financial Statements (continued)

### 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.

	2014	2013
	£m	£m
<b>Finance income and costs</b>		
<b>Finance income</b>		
Bank interest	5	8
<b>Total finance income</b>	<b>5</b>	<b>8</b>
<b>Finance costs</b>		
Interest on bank loans and overdrafts	11	8
Interest on other loans	69	60
Finance lease interest	1	2
Interest on bank loans, overdrafts, other loans and finance leases	81	70
Unwinding of discount on provisions	3	4
Interest on net post employment benefit obligations (note 23)	7	11
<b>Total finance costs</b>	<b>91</b>	<b>85</b>
<b>Analysis of finance costs by defined IAS 39<sup>(1)</sup> category</b>		
Fair value through profit or loss (unhedged derivatives)	4	2
Derivatives in a fair value hedge relationship	(28)	(24)
Derivatives in a net investment hedge relationship	3	5
Other financial liabilities	102	87
Interest on bank loans, overdrafts, other loans and finance leases	81	70
Fair value through profit or loss (unwinding of discount on provisions)	3	4
Outside of the scope of IAS 39 (net pension scheme charge)	7	11
<b>Total finance costs</b>	<b>91</b>	<b>85</b>

(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.

## Consolidated Financial Statements (continued)

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

#### Fair value measurement

All derivative financial instruments are shown at fair value in the balance sheet. All the derivatives held by the Group at fair value are considered to have fair values determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. The fair values of derivative financial instruments represent the maximum credit exposure.

	2014	2013
	£m	£m
<b>Financing related (gains)/losses</b>		
<b>Hedge accounting ineffectiveness</b>		
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge <sup>(1)</sup>	<b>(23)</b>	47
Unrealised net losses/(gains) on the hedged item in a designated fair value hedge	<b>23</b>	(44)
Total hedge accounting ineffectiveness (gains)/losses	<b>-</b>	<b>3</b>
<b>Change in the fair value of investments and non-controlling interest put options</b>		
Gain from the changes in the fair value of investments <sup>(2), (3)</sup>	<b>2</b>	-

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

(2) Categorized as 'fair value through profit or loss' (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 US Disposals

On 27 May 2014, the Group disposed of its retail cleaning business in the United States. Total consideration for the transaction was £31 million, of which £24 million was received by 30 September in cash. There was a loss of £1 million on the transaction and a gain of £2 million from other small US disposals.

In 2012 the Group disposed of the assets related to its food and support services business in correctional facilities located in the United States. In the year ended 30 September 2013 a loss of £1 million was recognised in relation to this transaction.

	2014	2013
	£m	£m
Gain/(loss) on disposal of US businesses	<b>1</b>	<b>(1)</b>

Consolidated Financial Statements (continued)

6 Tax

	Total 2014	Before exceptional items 2013	Exceptional items 2013	Total 2013
	£m	£m	£m	£m
<b>Recognised in the income statement:</b>				
<b>Income tax expense on continuing operations</b>				
<b>Current tax</b>				
Current year	271	299	(26)	273
Adjustment in respect of prior years	1	(3)	-	(3)
Current tax expense/(credit)	272	296	(26)	270
<b>Deferred tax</b>				
Current year	10	1	10	11
Impact of changes in statutory tax rates	1	5	-	5
Adjustment in respect of prior years	(4)	(1)	-	(1)
Deferred tax expense	7	5	10	15
Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years	279	301	(16)	285
Current tax credit on exceptional recognition of tax losses arising in prior years	-	-	-	-
Deferred tax expense on exceptional recognition of tax losses arising in prior years	-	2	-	2
Total tax expense on exceptional recognition of tax losses arising in prior years	-	2	-	2
<b>Total income tax</b>				
Income tax expense/(credit) on continuing operations	279	303	(16)	287

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 22% (2013: 23.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of changes in statutory rates in the prior year related 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 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 were expected to reverse.

Consolidated Financial Statements (continued)

6 Tax (continued)

	Total 2014 £m	Before exceptional items 2013 £m	Exceptional items 2013 £m	Total 2013 £m
Profit before tax from continuing operations	1,147	1,157	(436)	721
Notional income tax expense at the effective UK statutory rate of 22% (2013: 23.5%) on profit before tax	252	272	(103)	169
Effect of different tax rates of subsidiaries operating in other jurisdictions	116	99	(3)	96
Impact of changes in statutory tax rates	1	5	-	5
Permanent differences	(83)	(71)	90	19
Impact of share-based payments	1	(1)	-	(1)
Tax on profit of associates	(1)	(1)	-	(1)
Losses and other temporary differences not previously recognised	(7)	(1)	-	(1)
Unrelieved current year tax losses	3	3	-	3
Prior year items	(3)	(4)	-	(4)
Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years	279	301	(16)	285
Exceptional recognition of tax losses arising in prior years	-	2	-	2
Income tax expense on continuing operations	279	303	(16)	287

Tax credited/(charged) to other comprehensive income

	2014 £m	2013 £m
Current and deferred tax credits/(charges) on actuarial and other movements on post-employment benefits	6	(11)
Current and deferred tax (charges)/credits on foreign exchange movements	(3)	2
Tax credit/(charge) on items recognised in other comprehensive income	3	(9)

Tax credited to equity

	2014 £m	2013 £m
Current and deferred tax credits in respect of share-based payments	6	6
Tax credit on items recognised in equity	6	6

Consolidated Financial Statements (continued)

6 Tax (continued)

	Tax depreciation	Intangibles	Pensions and post -employment benefits	Tax losses	Self-funded insurance provisions	Net short-term temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Movement in net deferred tax asset/(liability)</b>							
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
At 1 October 2013	9	(183)	136	21	64	180	227
Credit/(charge) to income	4	(7)	7	1	3	(15)	(7)
Credit/(charge) to equity/other comprehensive income	-	-	(6)	-	-	1	(5)
Business acquisitions	-	(6)	-	-	-	1	(5)
Other movements	-	-	-	1	-	-	1
Exchange adjustment	-	5	(1)	(2)	-	(6)	(4)
At 30 September 2014	13	(191)	136	21	67	161	207

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:

	2014 £m	2013 £m
<b>Net deferred tax balance</b>		
Deferred tax assets	246	265
Deferred tax liabilities	(39)	(38)
Net deferred tax asset	207	227

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £42 million (2013: £50 million). Of the total, tax losses of £27 million will expire at various dates between 2014 and 2022. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling £448 million (2013: £401 million) because it is able to control the timing of reversal of these differences. It is probable that no reversal will take place in the foreseeable future.

## Consolidated Financial Statements (continued)

### 7 Discontinued operations

#### Year ended 30 September 2014

The profit for the year from discontinued operations was £3 million (2013: £3 million) relating to a release of surplus tax provisions in respect of prior year disposals.

	2014	2013
	£m	£m
<b>Financial performance of discontinued operations</b>		
<b>Trading activities of discontinued operations</b>		
Operating costs	-	-
Loss before tax	-	-
Income tax credit	3	2
Profit after tax	3	2
<b>Disposal of net assets and other adjustments relating to discontinued operations</b>		
Income tax credit	-	1
Total profit after tax	-	1
<b>Profit for the year from discontinued operations</b>		
Profit for the year from discontinued operations	3	3

	2014	2013
	£m	£m
<b>Income tax from discontinued operations</b>		
<b>Income tax on trading activities of discontinued operations and on disposal of net assets and other adjustments relating to discontinued operations</b>		
Current tax	3	3
Deferred tax	-	-
Income tax credit on discontinued operations	3	3

	2014	2013
	£m	£m
<b>Net assets disposed and disposal proceeds</b>		
Decrease in retained liabilities <sup>(1)</sup>	(1)	(1)
Consideration, net of costs	(1)	(1)
Cash outflow from disposals	(1)	(1)

(1) Includes the utilisation of disposal provisions of £1 million in the year ended 30 September 2014 (2013: £1 million).

## Consolidated Financial Statements (continued)

### 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, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, European exceptional, goodwill impairment, gains and losses on disposal of businesses, hedge accounting ineffectiveness, the change in the fair value of investments, the tax attributable to these amounts and the exceptional recognition of tax losses in prior years. These items are excluded in order to show the underlying trading performance of the Group.

	2014 Attributable profit £m	2013 Attributable profit £m
<b>Attributable profit</b>		
Profit for the year attributable to equity Shareholders of the Company	<b>865</b>	429
Less: Profit for the year from discontinued operations	<b>(3)</b>	(3)
Attributable profit for the year from continuing operations	<b>862</b>	426
Amortisation of intangible assets arising on acquisition (net of tax)	<b>18</b>	18
Acquisition transaction costs (net of tax)	<b>2</b>	3
Adjustment to contingent consideration on acquisition (net of tax)	<b>1</b>	(1)
European exceptional (net of tax)	<b>(7)</b>	43
Goodwill impairment	<b>-</b>	377
(Profit)/loss on disposal of US businesses (net of tax)	<b>(1)</b>	1
Profit on disposal of interest in associate (net of tax)	<b>(13)</b>	-
Hedge accounting ineffectiveness (net of tax)	<b>-</b>	2
Change in the fair value of investments (net of tax)	<b>(2)</b>	-
Exceptional recognition of tax losses	<b>-</b>	2
<b>Underlying attributable profit for the year from continuing operations</b>	<b>860</b>	<b>871</b>

	2014 New Ordinary shares of 10 <sup>58p</sup> each millions	2013 Ordinary shares of 10p each millions
<b>Average number of shares (millions of ordinary shares)</b>		
Average number of shares for basic earnings per share	<b>1,766</b>	1,827
Dilutive share options	<b>5</b>	8
<b>Average number of shares for diluted earnings per share</b>	<b>1,771</b>	<b>1,835</b>

Consolidated Financial Statements (continued)

<b>8 Earnings per share (continued)</b>	<b>2014</b>	<b>2013</b>
	<b>Earnings</b>	<b>Earnings</b>
	<b>per share</b>	<b>per share</b>
	<b>pence</b>	<b>pence</b>
<b>Basic earnings per share (pence)</b>		
From continuing and discontinued operations	<b>49.0</b>	23.5
From discontinued operations	<b>(0.2)</b>	(0.2)
From continuing operations	<b>48.8</b>	23.3
Amortisation of intangible assets arising on acquisition (net of tax)	<b>1.0</b>	1.0
Acquisition transaction costs (net of tax)	<b>0.1</b>	0.2
Adjustment to contingent consideration on acquisition (net of tax)	<b>0.1</b>	(0.1)
European exceptional (net of tax)	<b>(0.4)</b>	2.4
Goodwill impairment	-	20.6
(Profit)/loss on disposal of US businesses (net of tax)	<b>(0.1)</b>	0.1
Profit on disposal of interest in associate (net of tax)	<b>(0.7)</b>	-
Hedge accounting ineffectiveness (net of tax)	-	0.1
Change in the fair value of investments (net of tax)	<b>(0.1)</b>	-
Exceptional recognition of tax losses	-	0.1
From underlying continuing operations	<b>48.7</b>	47.7
<b>Diluted earnings per share (pence)</b>		
From continuing and discontinued operations	<b>48.9</b>	23.4
From discontinued operations	<b>(0.2)</b>	(0.2)
From continuing operations	<b>48.7</b>	23.2
Amortisation of intangible assets arising on acquisition (net of tax)	<b>1.0</b>	1.0
Acquisition transaction costs (net of tax)	<b>0.1</b>	0.2
Adjustment to contingent consideration on acquisition (net of tax)	<b>0.1</b>	(0.1)
European exceptional (net of tax)	<b>(0.4)</b>	2.4
Goodwill impairment	-	20.5
(Profit)/loss on disposal of US businesses (net of tax)	<b>(0.1)</b>	0.1
Profit on disposal of interest in associate (net of tax)	<b>(0.7)</b>	-
Hedge accounting ineffectiveness (net of tax)	-	0.1
Change in the fair value of investments (net of tax)	<b>(0.1)</b>	-
Exceptional recognition of tax losses	-	0.1
From underlying continuing operations	<b>48.6</b>	47.5



## Consolidated Financial Statements (continued)

### 9 Dividends

A final dividend in respect of 2014 of 17.7 pence per share, £296 million in aggregate<sup>(1)</sup>, has been proposed, giving a total dividend in respect of 2014 of 26.5 pence per share (2013: 24.0 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 6 February 2015 and has not been included as a liability in these financial statements.

	2014		2013	
	Dividends per share pence	£m	Dividends per share pence	£m
<b>Dividends on new ordinary shares of 10 5/8p each</b>				
<i>Amounts recognised as distributions to equity shareholders during the year:</i>				
Final dividend for the prior year	<b>16.0p</b>	<b>287</b>	14.1p	259
Interim dividend for the current year	<b>8.8p</b>	<b>157</b>	8.0p	145
<b>Total dividends</b>	<b>24.8p</b>	<b>444</b>	<b>22.1p</b>	<b>404</b>

(1) Based on the number of shares in issue at 30 September 2014 (1,674 million shares).

In addition, a return of cash of £1 billion was paid to Shareholders in the year by way of a special dividend and is described in more detail in note 24.

### 10 Goodwill

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

	£m
<b>Goodwill</b>	
<b>Cost</b>	
At 1 October 2012	4,151
Additions	39
Disposals	(5)
Currency adjustment	(77)
At 30 September 2013	4,108
At 1 October 2013	<b>4,108</b>
Additions	<b>39</b>
Disposals	<b>(13)</b>
Currency adjustment	<b>(87)</b>
At 30 September 2014	<b>4,047</b>
<b>Impairment</b>	
At 1 October 2012	114
Disposals	(3)
Impairment charge recognised in the year	377
At 30 September 2013	488
At 1 October 2013	<b>488</b>
Disposals	-
Currency adjustment	<b>(6)</b>
At 30 September 2014	<b>482</b>
<b>Net book value</b>	
At 30 September 2013	3,620
At 30 September 2014	<b>3,565</b>

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:

## Compass Group PLC

## Consolidated Financial Statements (continued)

### 10 Goodwill (continued)

Goodwill by business segment	2014	2013
	£m	£m
USA	1,211	1,202
Canada	138	151
Total North America	1,349	1,353
UK	1,433	1,426
Japan	127	142
Rest of Europe & Japan	296	318
Total Europe & Japan	1,856	1,886
Turkey	87	98
Rest of Fast Growing & Emerging	273	283
Total	3,565	3,620

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. Budgets and Forecasts are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and organic growth and taking into consideration external economic factors. Cash flows beyond the five-year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long-term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

Growth and discount rates	2014		2013	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	2.5%	8.5%	2.2%	11.4%
Rest of North America	2.0%	7.9%	2.0%	10.4%
UK	2.0%	8.0%	2.0%	10.6%
Rest of Europe & Japan	1.3-2.8%	7.4-16.5%	0.9%-3.1%	8.9-15.0%
Fast Growing & Emerging	1.9-7.8%	7.8-17.5%	2.1%-7.8%	9.7-18.3%

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 CGUs that are sensitive to reasonably possible changes in key assumptions.

Consolidated Financial Statements (continued)

11 Other intangible assets

	Contract and other intangibles <sup>(1)</sup>			Total £m
	Computer software £m	Arising on acquisition £m	Other £m	
<b>Cost</b>				
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
At 1 October 2013	224	401	842	1,467
Additions	22	-	184	206
Disposals	(5)	-	(59)	(64)
Business acquisitions	-	89	9	98
Business disposals	-	(3)	-	(3)
Reclassified	(2)	3	4	5
Currency adjustment	(7)	(17)	(7)	(31)
At 30 September 2014	232	473	973	1,678
<b>Amortisation</b>				
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
At 1 October 2013	155	62	364	581
Charge for the year	21	25	107	153
Disposals	(4)	-	(54)	(58)
Business disposals	-	-	2	2
Reclassified	-	-	3	3
Currency adjustment	(5)	(3)	(5)	(13)
At 30 September 2014	167	84	417	668
<b>Net book value</b>				
At 30 September 2013	69	339	478	886
At 30 September 2014	65	389	556	1,010

(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. The intangible assets arising on acquisition are all contract-related.

Consolidated Financial Statements (continued)

12 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>Property, plant and equipment</b>				
<b>Cost</b>				
At 1 October 2012	301	994	519	1,814
Additions <sup>(1)</sup>	86	125	67	278
Disposals	(12)	(75)	(44)	(131)
Business disposals - other activities	(2)	(4)	(3)	(9)
Business acquisitions	1	5	-	6
Reclassified	4	(5)	4	3
Currency adjustment	(18)	(11)	(7)	(36)
At 30 September 2013	360	1,029	536	1,925
At 1 October 2013	360	1,029	536	1,925
Additions <sup>(1)</sup>	29	141	80	250
Disposals	(17)	(81)	(38)	(136)
Business disposals - other activities	-	(12)	(1)	(13)
Business acquisitions	2	4	1	7
Reclassified	-	8	(3)	5
Currency adjustment	(16)	(39)	(26)	(81)
At 30 September 2014	358	1,050	549	1,957
<b>Depreciation</b>				
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
At 1 October 2013	175	675	361	1,211
Charge for the year	25	113	53	191
Disposals	(16)	(71)	(33)	(120)
Business disposals - other activities	-	(9)	-	(9)
Reclassified	(1)	8	(2)	5
Currency adjustment	(7)	(26)	(17)	(50)
At 30 September 2014	176	690	362	1,228
<b>Net book value</b>				
At 30 September 2013	185	354	175	714
At 30 September 2014	182	360	187	729

(1) Includes leased assets at a net book value of £2 million (2013: £2 million).

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

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>Property, plant and equipment held under finance leases</b>				
At 30 September 2013	7	8	1	16
At 30 September 2014	7	6	1	14

Compass Group PLC

## Consolidated Financial Statements (continued)

### 13 Interests in associates

Significant interests in associates are:

	Country of incorporation	2014 % ownership <sup>(1)</sup>	2013 % ownership <sup>(1)</sup>
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%

(1) % ownership is of the ordinary share capital.

### Interests in associates

	2014 £m	2013 £m
<b>Net book value</b>		
At 1 October	84	82
Additions	48	-
Disposals	(19)	-
Share of profits less losses (net of tax)	9	10
Dividends received	(7)	(6)
Currency and other adjustments	(1)	(2)
At 30 September	114	84

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

<b>Associates</b>	2014 £m	2013 £m
<b>Share of revenue and profits</b>		
Revenue	46	49
Expenses/taxation <sup>(1)</sup>	(37)	(39)
Profit after tax for the year	9	10
<b>Share of net assets</b>		
Non-current assets	121	91
Current assets	106	98
Non-current liabilities	(11)	(9)
Current liabilities	(102)	(96)
Net assets	114	84
<b>Share of contingent liabilities</b>		
Contingent liabilities	(2)	(2)

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

## Consolidated Financial Statements (continued)

### 14 Other investments

	2014 £m	2013 £m
<b>Net book value</b>		
At 1 October	41	46
Additions	2	-
Disposals	(10)	(9)
Currency and other adjustments	3	4
<b>At 30 September</b>	<b>36</b>	<b>41</b>
<b>Comprised of</b>		
Investment in Au Bon Pain <sup>(1), (3)</sup>	-	7
Other investments <sup>(1), (3)</sup>	9	10
Life insurance policies and mutual fund investments <sup>(1), (2), (3)</sup>	27	24
<b>Total</b>	<b>36</b>	<b>41</b>

(1) Categorized 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 note 20, the investment in Au Bon Pain was Level 3, other investments are Level 1 and the life insurance policies are Level 2.

### 15 Joint ventures

<b>Principal joint ventures</b>	<b>Country of incorporation</b>	2014 ownership	2013 ownership
Quadrant Catering Ltd <sup>(1)</sup>	England & Wales	49%	49%
ADNH-Compass Middle East LLC	United Arab Emirates	50%	50%
Express Support Services Limitada	Angola	50%	50%

(1) 49% ownership in Quadrant Catering Ltd entitles Compass Group to 50% of voting rights.

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

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

	2014 £m	2013 £m
<b>Joint ventures</b>		
<b>Share of revenue and profits</b>		
Revenue	217	196
Expenses	(195)	(175)
<b>Profit after tax for the year</b>	<b>22</b>	<b>21</b>
<b>Share of net assets</b>		
Non-current assets	7	6
Current assets	84	78
Non-current liabilities	(7)	(6)
Current liabilities	(47)	(44)
<b>Net assets</b>	<b>37</b>	<b>34</b>
<b>Share of contingent liabilities</b>		
Contingent liabilities	21	20

The share of capital commitments, contracted but not provided for, at 30 September 2014 was £nil (2013: £nil).

## Compass Group PLC

## Consolidated Financial Statements (continued)

### 16 Trade and other receivables

	2014			2013		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Trade and other receivables</b>						
<b>Net book value</b>						
At 1 October	2,072	83	2,155	2,114	90	2,204
Net movement	153	(12)	141	9	(2)	7
Currency adjustment	(97)	(4)	(101)	(51)	(5)	(56)
At 30 September	2,128	67	2,195	2,072	83	2,155
<b>Comprised of</b>						
Trade receivables	1,821	-	1,821	1,862	4	1,866
Less: Provision for impairment of trade receivables	(75)	-	(75)	(101)	-	(101)
Net trade receivables <sup>(1)</sup>	1,746	-	1,746	1,761	4	1,765
Other receivables	82	75	157	58	69	127
Less: Provision for impairment of other receivables	(11)	(16)	(27)	(11)	-	(11)
Net other receivables	71	59	130	47	69	116
Accrued income	189	-	189	166	-	166
Prepayments	122	8	130	98	10	108
Trade and other receivables	2,128	67	2,195	2,072	83	2,155

(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 2014 were 45 days (2013: 44 days).

## Consolidated Financial Statements (continued)

### 16 Trade and other receivables (continued)

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

	2014					Total £m
	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	
<b>Trade receivables</b>						
Gross trade receivables	1,474	266	33	15	33	1,821
Less: Provision for impairment of trade receivables	(4)	(15)	(18)	(10)	(28)	(75)
Net trade receivables	1,470	251	15	5	5	1,746

	2013					Total £m
	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	
<b>Trade receivables</b>						
Gross trade receivables	1,442	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

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

	2014			2013		
	Trade £m	Other £m	Total £m	Trade £m	Other £m	Total £m
<b>Provision for impairment of trade and other receivables</b>						
At 1 October	101	11	112	99	8	107
Charged to income statement	20	1	21	38	1	39
Credited to income statement	(27)	(5)	(32)	(15)	(1)	(16)
Utilised	(14)	-	(14)	(12)	-	(12)
Reclassified	(2)	21	19	(8)	3	(5)
Currency adjustment	(3)	(1)	(4)	(1)	-	(1)
At 30 September	75	27	102	101	11	112

At 30 September 2014, trade receivables of £276 million (2013: £330 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.



## Consolidated Financial Statements (continued)

### 17 Inventories

	2014	2013
<b>Inventories</b>	<b>£m</b>	<b>£m</b>
<b>Net book value</b>		
At 1 October	255	261
Net movement	25	1
Currency adjustment	(10)	(7)
At 30 September	270	255

### 18 Cash and cash equivalents

	2014	2013
<b>Cash and cash equivalents</b>	<b>£m</b>	<b>£m</b>
Cash at bank and in hand	274	316
Short-term bank deposits	157	690
Cash and cash equivalents <sup>(1)</sup>	431	1,006

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

	2014	2013
<b>Cash and cash equivalents by currency</b>	<b>£m</b>	<b>£m</b>
Sterling	132	541
US Dollar	85	218
Euro	39	71
Japanese Yen	12	16
Other	163	160
Cash and cash equivalents	431	1,006

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

### Master netting or similar agreements

The Group has master netting agreements for its cash and bank overdrafts and the following balances are offset within the consolidated balance sheet:

	2014		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	602	(171)	431
Bank overdrafts	(208)	171	(37)
	2013		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	1,225	(219)	1,006
Bank overdrafts	(239)	219	(20)

## Compass Group PLC

Consolidated Financial Statements (continued)

19 Short-term and long-term borrowings

	2014			2013		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Short-term and long-term borrowings</b>						
Bank overdrafts	37	-	37	20	-	20
Bank loans	4	302	306	4	301	305
Loan notes	-	1,076	1,076	74	1,073	1,147
Bonds	251	1,136	1,387	-	772	772
Borrowings (excluding finance leases)	292	2,514	2,806	98	2,146	2,244
Finance leases	5	12	17	6	15	21
Borrowings (including finance leases) <sup>(1)</sup>	297	2,526	2,823	104	2,161	2,265

(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.

Additionally, the Group adjusts the carrying values of the bonds and loan notes that are designated in effective fair value hedge relationships, for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged.

The Group has fixed term, fixed interest private placements denominated in US dollar and Sterling.

Loan notes	Nominal value	Redeemable	Interest	2014	2013
				Carrying value £m	Carrying value £m
US\$ private placement	\$105m	Oct 2013	6.45%	-	65
US\$ private placement	\$15m	Nov 2013	5.67%	-	9
US\$ private placement	\$162m	Oct 2015	6.72%	102	104
Sterling private placement	£35m	Oct 2016	7.55%	36	36
US\$ private placement	\$250m	Oct 2018	3.31%	157	159
US\$ private placement	\$200m	Sep 2020	3.09%	123	123
US\$ private placement	\$398m	Oct 2021	3.98%	245	245
US\$ private placement	\$352m	Oct 2023	4.12%	223	220
US\$ private placement	\$300m	Sep 2025	3.81%	190	186
				<b>1,076</b>	<b>1,147</b>

The Group has Sterling and Euro denominated Eurobonds. The €500 million 2023 bond and the £250 million 2026 bond were issued during the year. The £250 million 2014 bond is recorded at its fair value to the Group on acquisition.

Bonds	Nominal value	Redeemable	Interest	2014	2013
				Carrying value £m	Carrying value £m
Sterling Eurobond	£250m	Dec 2014	7.00%	251	262
Euro Eurobond	€600m	Feb 2019	3.13%	485	510
Euro Eurobond	€500m	Jan 2023	1.88%	402	-
Sterling Eurobond	£250m	Jun 2026	3.85%	249	-
				<b>1,387</b>	<b>772</b>

## Consolidated Financial Statements (continued)

### 19 Short-term and long-term borrowings (continued)

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

	2014	2013
	£m	£m
<b>Maturity profile of borrowings (excluding finance leases)</b>		
Within 1 year, or on demand	<b>292</b>	98
Between 1 and 2 years	<b>154</b>	264
Between 2 and 3 years	<b>286</b>	153
Between 3 and 4 years	-	286
Between 4 and 5 years	<b>642</b>	-
In more than 5 years	<b>1,432</b>	1,443
<b>Borrowings (excluding finance leases)</b>	<b>2,806</b>	2,244

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. The table below shows the fair value of borrowings excluding accrued interest:

	2014		2013	
	Carrying	Fair	Carrying	Fair
	value	value	value	value
	£m	£m	£m	£m
<b>Carrying value and fair value of borrowings (excluding finance leases)</b>				
Bank overdrafts	<b>37</b>	<b>37</b>	20	20
Bank loans	<b>306</b>	<b>306</b>	305	305
Loan notes	<b>1,076</b>	<b>1,095</b>	1,147	1,170
£250m Eurobond Dec 2014	<b>251</b>	<b>253</b>	262	267
€600m Eurobond Feb 2019	<b>485</b>	<b>517</b>	510	534
€500m Eurobond Jan 2023	<b>402</b>	<b>403</b>	-	-
£250m Eurobond Jun 2026	<b>249</b>	<b>259</b>	-	-
<b>Bonds</b>	<b>1,387</b>	<b>1,432</b>	772	801
<b>Borrowings (excluding finance leases)</b>	<b>2,806</b>	<b>2,870</b>	2,244	2,296

	2014		2013	
	Gross	Present	Gross	Present
	value	value	value	value
	£m	£m	£m	£m
<b>Gross and present value of finance lease liabilities</b>				
<i>Finance lease payments falling due:</i>				
Within 1 year	<b>5</b>	<b>5</b>	7	6
In 2 to 5 years	<b>9</b>	<b>8</b>	11	11
In more than 5 years	<b>5</b>	<b>4</b>	4	4
	<b>19</b>	<b>17</b>	22	21
Less: Future finance charges	<b>(2)</b>	-	(1)	-
<b>Gross and present value of finance lease liabilities</b>	<b>17</b>	<b>17</b>	21	21

## Consolidated Financial Statements (continued)

### 19 Short-term and long-term borrowings (continued)

	2014			2013		
	Borrowings £m	Finance leases £m	Total £m	Borrowings £m	Finance leases £m	Total £m
<b>Borrowings by currency</b>						
Sterling	835	-	835	599	-	599
US Dollar	1,040	1	1,041	1,111	2	1,113
Euro	904	13	917	520	13	533
Japanese Yen	-	-	-	-	-	-
Other	27	3	30	14	6	20
<b>Total</b>	<b>2,806</b>	<b>17</b>	<b>2,823</b>	<b>2,244</b>	<b>21</b>	<b>2,265</b>

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

	2014 £m	2013 £m
<b>Undrawn committed facilities</b>		
Expiring between 1 and 5 years	1,000	700

### 20 Derivative financial instruments

#### Capital risk management

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

#### Financial management

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

#### Liquidity risk

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

Consolidated Financial Statements (continued)

20 Derivative financial instruments (continued)

	2014				2013			
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
<b>Derivative financial instruments</b>								
<i>Interest rate swaps:</i>								
Fair value hedges <sup>(1)</sup>	11	34	-	-	2	41	-	(1)
Not in a hedging relationship <sup>(2)</sup>	-	-	(1)	-	-	-	(1)	-
<i>Other derivatives:</i>								
Forward currency contracts and cross currency swaps	4	16	(3)	(1)	5	21	(2)	-
Others	1	-	-	-	-	1	-	-
<b>Total</b>	<b>16</b>	<b>50</b>	<b>(4)</b>	<b>(1)</b>	<b>7</b>	<b>63</b>	<b>(3)</b>	<b>(1)</b>

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

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

	2014		2013	
	Fair value swaps £m	Cash flow swaps £m	Fair value swaps £m	Cash flow swaps £m
<b>Notional amount of derivative financial instruments by currency</b>				
Sterling	220	-	220	-
US Dollar	615	472	680	395
Euro	741	27	393	38
Japanese Yen	-	75	-	45
Other	-	248	-	124
<b>Total</b>	<b>1,576</b>	<b>822</b>	<b>1,293</b>	<b>602</b>

	2014			2013		
	Gross borrowings £m	Currency Forward contracts <sup>(1)</sup> £m	Currency of effective borrowings £m	Gross borrowings £m	Currency Forward contracts <sup>(1)</sup> £m	Currency of effective borrowings £m
<b>Effective currency denomination of borrowings after the effects of derivatives</b>						
Sterling	835	(600)	235	599	(28)	571
US Dollar	1,041	623	1,664	1,113	(75)	1,038
Euro	917	(624)	293	533	(251)	282
Japanese Yen	-	128	128	-	55	55
Other	30	482	512	20	275	295
<b>Total</b>	<b>2,823</b>	<b>9</b>	<b>2,832</b>	<b>2,265</b>	<b>(24)</b>	<b>2,241</b>

(1) Includes cross currency contracts

Consolidated Financial Statements (continued)

21 Trade and other payables

	2014			2013		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Trade and other payables</b>						
<b>Net book value</b>						
At 1 October	3,054	75	3,129	3,010	38	3,048
Net movement	204	6	210	106	42	148
Currency adjustment	(119)	(3)	(122)	(62)	(5)	(67)
At 30 September	3,139	78	3,217	3,054	75	3,129
<b>Comprised of</b>						
Trade payables <sup>(1)</sup>	1,357	-	1,357	1,349	-	1,349
Social security and other taxes	280	-	280	279	-	279
Other payables	185	23	208	164	22	186
Deferred consideration on acquisitions <sup>(1)</sup>	13	21	34	17	6	23
Accruals <sup>(2)</sup>	1,041	34	1,075	990	47	1,037
Deferred income	257	-	257	248	-	248
Amounts owed to associates <sup>(3)</sup>	6	-	6	7	-	7
Trade and other payables	3,139	78	3,217	3,054	75	3,129

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

(2) Of this balance £436 million (2013: £393 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 2014 were 72 days (2013: 68 days).

## Consolidated Financial Statements (continued)

### 22 Provisions

Provisions	Insurance	Provisions in respect of discontinued and disposed businesses	Onerous contracts	Legal and other claims	Reorganisation	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 October 2012	217	52	79	105	94	56	603
Reclassified <sup>(1)</sup>	-	(4)	4	1	(1)	(4)	(4)
Expenditure in the year	(11)	(1)	(31)	(5)	(69)	(18)	(135)
Charged to income statement	23	-	4	10	46	12	95
Credited to income statement	-	-	(4)	(16)	(6)	(4)	(30)
Unwinding of discount on provisions	-	-	3	-	-	-	3
Currency adjustment	(1)	-	1	(4)	3	-	(1)
At 30 September 2013	228	47	56	91	67	42	531
At 1 October 2013	228	47	56	91	67	42	531
Reclassified <sup>(1)</sup>	(3)	-	(12)	(20)	-	14	(21)
Expenditure in the year	(2)	(1)	(19)	(9)	(34)	(24)	(89)
Charged to income statement	9	-	9	8	11	2	39
Credited to income statement	-	-	(7)	(2)	(3)	(2)	(14)
Business acquisitions	-	-	1	-	-	1	2
Business disposals	-	-	-	-	(3)	-	(3)
Unwinding of discount on provisions	-	-	3	-	-	-	3
Currency adjustment	-	-	(2)	(4)	(2)	(2)	(10)
At 30 September 2014	232	46	29	64	36	31	438

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

Provisions	2014 £m	2013 £m
Current	161	189
Non-current	277	342
Total provisions	438	531

The provision for insurance relates to the potential settlements in respect of claims under self-funded insurance schemes, primarily workers' compensation schemes in US, and is essentially long-term in nature.

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

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

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

Provisions for re-organisation include provision for redundancy costs and these are expected to be utilised over the next two years.

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.

## Compass Group PLC

## Consolidated Financial Statements (continued)

### 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 1% to 39% of pensionable salaries.

The contributions payable for defined contribution schemes of £85 million (2013: £80 million) have been fully expensed against profits in the current year.

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	
	2014	2013	2014	2013	2014	2013
Discount rate	<b>4.0%</b>	4.4%	<b>3.9%</b>	4.3%	<b>2.5%</b>	3.6%
Inflation	<b>3.2%</b>	3.4%	<b>2.3%</b>	2.2%	<b>1.7%</b>	2.0%
CPI inflation	<b>2.45%</b>	2.65%	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in salaries	<b>3.2%</b>	3.4%	<b>3.0%</b>	3.0%	<b>1.7%</b>	2.1%
Rate of increase for pensions in payment	<b>3.1%</b>	3.3%	<b>2.3%</b>	2.2%	<b>0.3%</b>	0.5%
Rate of increase for deferred pensions *	<b>2.8%</b>	3.0%	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

\* This assumption is now presented as a weighted average.

The mortality assumptions used to value the UK pension schemes are derived from the S1NA generational mortality tables with improvements in line with the projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with no rating for males and +0.6 year age adjustment for females, with a long-term underpin of 1.25%. These mortality assumptions take account of experience to date, and assumptions for further improvements in the life expectancy of scheme members. The Group estimates the average duration of the UK Plan's liabilities to be 18 years (2013 18 years).

Examples of the resulting life expectancies are as follows:

Life expectancy at age 65	2014		2013	
	Male	Female	Male	Female
Member aged 65 in 2014 (2013)	<b>22.5</b>	<b>24.4</b>	22.4	24.4
Member aged 65 in 2039 (2038)	<b>24.8</b>	<b>26.9</b>	24.7	26.8

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

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. The mortality assumptions used to value USA schemes are derived from the RP2000 combined healthy table, generational BB2D scale. Examples of the resulting life expectancies are as follows:

Life expectancy at age 65	2014		2013	
	Male	Female	Male	Female
Member aged 65 in 2014 (2013)	<b>20.9</b>	<b>23.3</b>	19.2	21.0
Member aged 65 in 2039 (2038)	<b>22.9</b>	<b>25.5</b>	21.0	22.1

## Compass Group PLC



Consolidated Financial Statements (continued)

23 Post-employment benefit obligations (continued)

	2014				2013			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Movements in the fair value of plan assets</b>								
At 1 October	1,772	250	127	2,149	1,546	224	129	1,899
Currency adjustment	-	-	(6)	(6)	-	(1)	(2)	(3)
Interest income on plan assets	78	10	3	91	67	14	5	86
Return on plan assets, excluding interest income	122	14	1	137	109	10	-	119
Employee contributions	-	15	2	17	-	14	3	17
Employer contributions	30	15	15	60	102	16	28	146
Benefits paid	(58)	(24)	(14)	(96)	(52)	(20)	(23)	(95)
Administration expenses paid from plan assets	-	(1)	-	(1)	-	-	-	-
Disposals and plan settlements	-	-	(44)	(44)	-	(7)	(13)	(20)
At 30 September	1,944	279	84	2,307	1,772	250	127	2,149

	2014				2013			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Movement in the present value of defined benefit obligations</b>								
At 1 October	1,790	352	216	2,358	1,678	342	241	2,261
Currency adjustment	-	-	(13)	(13)	-	(1)	(1)	(2)
Current service cost	2	7	9	18	2	7	12	21
Past service cost	-	1	(5)	(4)	-	-	-	-
Interest expense on benefit obligations	78	14	6	98	74	16	7	97
Re-measurements - demographic assumptions	12	9	2	23	(44)	-	6	(38)
Re-measurements - financial assumptions	96	15	11	122	119	-	(13)	106
Re-measurements - experience	-	1	2	3	13	1	(2)	12
Employee contributions	-	15	2	17	-	14	3	17
Benefits paid	(58)	(24)	(14)	(96)	(52)	(20)	(23)	(95)
Disposals and plan settlements	-	-	(44)	(44)	-	(7)	(14)	(21)
Acquisitions	-	-	1	1	-	-	-	-
At 30 September	1,920	390	173	2,483	1,790	352	216	2,358

	2014				2013			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Present value of defined benefit obligations</b>								
Funded obligations	1,878	301	107	2,286	1,750	273	150	2,173
Unfunded obligations	42	89	66	197	40	79	66	185
Total obligations	1,920	390	173	2,483	1,790	352	216	2,358

## Consolidated Financial Statements (continued)

### 23 Post-employment benefit obligations (continued)

Post-employment benefit obligations recognised in the balance sheet	2014 £m	2013 £m
Present value of defined benefit obligations <sup>(1)</sup>	<b>2,483</b>	2,358
Fair value of plan assets	<b>(2,307)</b>	(2,149)
Post-employment benefit obligations recognised in the balance sheet	<b>176</b>	209

(1) As disclosed in Accounting Policies, A. Accounting convention and basis of preparation, a past service cost of £1 million has been recognised in the balance sheet as at 30 September 2013.

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, £27 million (2013: £24 million), may not be offset against pension obligations under IAS 19 (R) and is reported within note 14.

### Amounts recognised through the income statement

The amounts recognised through the consolidated income statement within the various captions are as follows:

	2014				2013			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Current service cost	2	7	9	18	2	7	12	21
Past service cost	-	1	(5)	(4)	-	-	-	-
Charged to operating expenses	2	8	4	14	2	7	12	21
Interest expense on benefit obligations	78	14	6	98	74	16	7	97
Interest income on plan assets	(78)	(10)	(3)	(91)	(67)	(14)	(5)	(86)
Charged to finance costs	-	4	3	7	7	2	2	11
Total charged in the consolidated income statement	2	12	7	21	9	9	14	32

The Group made total contributions to defined benefit schemes of £60 million in the year (2013: £146 million), including exceptional advance payments of £nil (2013: £72 million) and expects to make regular ongoing contributions to these schemes of £65 million in 2015.

### Amounts recognised through the consolidated statement of comprehensive income

The amounts recognised through the consolidated statement of comprehensive income are as follows:

	2014 £m	2013 £m
Effect of changes in demographic assumptions	<b>(23)</b>	38
Effect of changes in financial assumptions	<b>(122)</b>	(106)
Effect of experience adjustments	<b>(3)</b>	(12)
Re-measurement of post employment benefit obligations - loss	<b>(148)</b>	(80)
Return on plan assets, excluding interest income - gain	<b>137</b>	119
Total recognised in the consolidated statement of comprehensive income	<b>(11)</b>	39

## Consolidated Financial Statements (continued)

### 24 Share capital

During the year 128,800 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 7 January 2013 and commenced a further programme. A total of 21,752,881 Ordinary shares of 10 pence each were repurchased for consideration of £200 million and cancelled in the period to 9 July 2014.

On 14 May 2014, Compass Group PLC announced a return of cash to shareholders of approximately £1 billion by way of a special dividend. The return of cash was accompanied by a consolidation of the existing Ordinary shares in the ratio of 16 New Ordinary shares for every 17 existing Ordinary shares held. Following approval of the return of cash to Shareholders on 11 June 2014, 1,366,745,487 'C' shares of 0.0001 pence each and 419,413,879 'B' shares of 56 pence each were issued on 8 July 2014 following partial capitalisation of the share premium account. On 15 July a dividend of 56 pence per share was declared on the 'C' shares at a cost of £765 million payable on 29 July 2014 and these shares were reclassified as deferred shares. On the same day the 'B' shares were redeemed for 56 pence per share at a cost of £235 million, payable on 29 July 2014. The deferred shares were redeemed on 15 July. Following redemption, the 'B' shares and deferred shares were cancelled. Costs in relation to the return of cash were £2 million.

Following conversion of Ordinary shares to New Ordinary shares, the on market share buyback programme was resumed. During the period to 30 September 2014 a total of 8,000,000 New Ordinary shares of 10 5/8 pence each were repurchased for consideration of £78 million and cancelled. The Company also contracted to repurchase a further 200,000 New Ordinary shares of 10 5/8 pence each before 30 September 2014 for consideration of £1.9 million which was settled in October 2014.

	2014		2013	
	Number of shares	£m	Number of shares	£m
<b>Allotted share capital</b>				
<i>Allotted and fully paid:</i>				
Ordinary shares of 10p each	-	-	1,804,035,995	180
New Ordinary shares of 10 5/8p each	<b>1,673,886,784</b>	<b>178</b>	-	-
<b>At 30 September</b>	<b>1,673,886,784</b>	<b>178</b>	1,804,035,995	180
At 1 October		<b>180</b>		186
Ordinary and New Ordinary shares allotted during the year		<b>1</b>		-
Repurchase of Ordinary and New Ordinary shares		<b>(3)</b>		(6)
<b>At 30 September</b>		<b>178</b>		180

## Consolidated Financial Statements (continued)

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### 25 Share-based payments

#### Share options

Full details of The Compass Group Share Option Plan 2010 ('CSOP 2010'), the Compass Group Share Option Plan ('CSOP 2000'), the Compass Group Management Share Option Plan ('Management Plan') (collectively the 'Executive and Management Share Option Plans') and the UK Sharesave Plan are set out in prior years' Annual Reports which are available on the Company's website.

The consolidation of Compass Group PLC shares that took place during the year had no impact on the number of options outstanding under these plans or on the other terms and conditions that apply to them other than consideration by the Remuneration Committee of the impact on the performance targets that relate to these awards.

### 26 Business combinations

The Group has completed a number of smaller infill acquisitions in several countries for total consideration of £138 million, of which £107 million was paid in the year. In addition, the Group paid a further £18 million deferred consideration relating to prior years and increased its investments in associates in the year with a gross spend of £48 million.

Acquisition transaction costs expensed in the year to 30 September 2014 were £3 million (2013: £3 million).

In the period from acquisition to 30 September 2014 the acquisitions contributed revenue of £76 million and operating profit of £3 million to the Group's results.

If the acquisitions had occurred on 1 October 2013, it is estimated that Group revenue for the period would have been £17,121 million and total Group operating profit (including associates) would have been £1,225 million.

Consolidated Financial Statements (continued)

27 Reconciliation of operating profit to cash generated by operations

	2014 £m	2013 £m
<b>Reconciliation of operating profit to cash generated by continuing operations</b>		
Operating profit from continuing operations	<b>1,208</b>	792
<i>Adjustments for:</i>		
Acquisition transaction costs	<b>3</b>	3
Amortisation of intangible assets	<b>128</b>	118
Amortisation of intangible assets arising on acquisition	<b>25</b>	25
Depreciation of property, plant and equipment	<b>191</b>	181
Profit on disposal of property, plant and equipment/intangible assets	<b>(1)</b>	-
Goodwill impairment	-	377
Decrease in provisions	<b>(64)</b>	(71)
Decrease in post-employment benefit obligations	<b>(45)</b>	(54)
Share-based payments - charged to profits	<b>13</b>	12
Operating cash flows before movement in working capital	<b>1,458</b>	1,383
(Increase)/decrease in inventories	<b>(18)</b>	1
(Increase)/decrease in receivables	<b>(154)</b>	3
Increase in payables	<b>156</b>	98
<b>Cash generated by continuing operations</b>	<b>1,442</b>	1,485

Consolidated Financial Statements (continued)

28 Reconciliation of net cash flow to movement in net debt

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

	Gross debt							Net debt £m
	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Total gross debt £m	
<b>Net debt</b>								
At 1 October 2012	728	(58)	(1,699)	(1,757)	(28)	84	(1,701)	(973)
Net increase in cash and cash equivalents	297	-	-	-	-	-	-	297
Cash inflow from issue of bonds	-	-	(563)	(563)	-	-	(563)	(563)
Cash outflow/(inflow) 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 (losses)/gains	(19)	(2)	(19)	(21)	-	72	51	32
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)
At 1 October 2013	1,006	(20)	(2,224)	(2,244)	(21)	66	(2,199)	(1,193)
Net decrease in cash and cash equivalents	(559)	-	-	-	-	-	-	(559)
Cash inflow from issue of bonds	-	-	(646)	(646)	-	-	(646)	(646)
Cash outflow from repayment of loan notes	-	-	74	74	-	-	74	74
Cash inflow from other changes in gross debt	-	(18)	(3)	(21)	-	(4)	(25)	(25)
Cash outflow from repayment of obligations under finance leases	-	-	-	-	5	-	5	5
Increase in net debt as a result of new finance leases taken out	-	-	-	-	(2)	-	(2)	(2)
Currency translation (losses)/gains	(16)	1	51	52	1	(24)	29	13
Other non-cash movements	-	-	(21)	(21)	-	23	2	2
At 30 September 2014	431	(37)	(2,769)	(2,806)	(17)	61	(2,762)	(2,331)

## Consolidated Financial Statements (continued)

### 28 Reconciliation of net cash flow to movement in net debt (continued)

Other non-cash movements are comprised as follows:

	2014	2013
	£m	£m
<b>Other non-cash movements in net debt</b>		
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
Changes in the fair value of bank and other borrowings in a designated fair value hedge	(23)	44
Bank and other borrowings	(21)	46
Changes in the value of derivative financial instruments including accrued income	23	(48)
Other non-cash movements	2	(2)

### 29 Contingent liabilities

	2014	2013
	£m	£m
<b>Performance bonds, guarantees and indemnities</b>		
Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>(1)</sup>	392	414

(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 31.

#### 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.

## Consolidated Financial Statements (continued)

### 29 Contingent liabilities (continued)

#### 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 and challenges with / by various fiscal authorities 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 or quantify the financial effect of these proceedings, or any claim against the Group related thereto, in the opinion of the Directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group. The timing of the settlement of these proceedings or claims is uncertain.

### 30 Capital commitments

	2014	2013
	£m	£m
Capital commitments		
Contracted for but not provided for	<b>187</b>	<b>151</b>

The majority of capital commitments are for intangible assets.



## Consolidated Financial Statements (continued)

### 31 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:

Operating lease and concessions commitments	2014			2013		
	Operating leases		Other occupancy rentals	Operating leases		Other occupancy rentals
	Land and buildings	Other assets		Land and buildings	Other assets	
	£m	£m	£m	£m	£m	£m
Falling due within 1 year	53	46	55	49	46	55
Falling due between 2 and 5 years	141	63	74	128	61	73
Falling due in more than 5 years	76	6	53	84	6	44
<b>Total</b>	<b>270</b>	<b>115</b>	<b>182</b>	<b>261</b>	<b>113</b>	<b>172</b>

### 32 Related party transactions

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

#### Subsidiaries

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

#### Joint ventures

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

#### Associates

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

#### Key management personnel

The remuneration of Directors and key management personnel is set out in note 3. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

### 33 Post balance sheet events

On 10 November 2014, Compass Group acquired East Coast Catering LLC (ECC), a Canadian company that provides accommodation, food and support services for remote sites in the energy and mining sectors. For the year ended 28 February 2014, ECC generated revenues of 51 million Canadian Dollars (£28 million).

Consolidated Financial Statements (continued)

34 Exchange rates<sup>(1)</sup>

	2014	2013
<b>Average exchange rate for year</b>		
Australian Dollar	1.81	1.58
Brazilian Real	3.80	3.30
Canadian Dollar	1.79	1.59
Euro	1.23	1.19
Japanese Yen	169.92	143.83
Norwegian Krone	10.12	9.09
South African Rand	17.54	14.50
Swedish Krona	11.00	10.25
Swiss Franc	1.49	1.46
Turkish Lira	3.53	2.90
UAE Dirham	6.09	5.75
US Dollar	1.66	1.57
<b>Closing exchange rate as at 30 September</b>		
Australian Dollar	1.85	1.73
Brazilian Real	3.97	3.60
Canadian Dollar	1.81	1.66
Euro	1.28	1.20
Japanese Yen	177.83	158.90
Norwegian Krone	10.41	9.74
South African Rand	18.32	16.30
Swedish Krona	11.69	10.40
Swiss Franc	1.55	1.46
Turkish Lira	3.70	3.28
UAE Dirham	5.95	5.95
US Dollar	1.62	1.62

(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.

## Consolidated Financial Statements (continued)

### 35 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 and all subsidiaries have been consolidated. 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
<b>North America</b>		
Compass Group Canada Ltd	Canada	Food and support services
Bon Appétit Management Co	USA	Foodservice
Compass Group USA Investments Inc	USA	Holding company
Compass Group USA, Inc.	USA	Food and support services
Crothall Services Group	USA	Support services to the healthcare market
Flik International Corp	USA	Fine dining facilities
Foodbuy LLC	USA	Purchasing services in North America
Levy Restaurants LP	USA	Fine dining and foodservice at sports and entertainment facilities
Morrison Management Specialists, Inc.	USA	Food service to the healthcare and senior living market
Restaurant Associates Corp	USA	Fine dining facilities
Wolfgang Puck Catering & Events, LLC (90%)	USA	Fine dining facilities
<b>Europe &amp; Japan</b>		
Compass Contract Services (UK) Ltd	England & Wales	Food and support services
Compass Group Holdings PLC	England & Wales	Holding company and corporate activities
Compass Group, UK & Ireland Ltd	England & Wales	Holding company
Compass Group Procurement Ltd	England & Wales	Purchasing services throughout the world
Compass Purchasing Ltd	England & Wales	Purchasing services in the UK and Ireland
Compass Services UK Ltd	England & Wales	Food and support services
Hospitality Holdings Ltd <sup>(1)</sup>	England & Wales	Intermediate holding company
Letheby & Christopher Ltd	England & Wales	Food service for the UK sports and events market
Scolarest Ltd	England & Wales	Food service for the UK education market
VSG Group Ltd	England & Wales	Security and support services
Compass Group France Holdings SAS	France	Holding company
Compass Group France	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 and support services
Compass Group International BV	Netherlands	Holding company
Compass Group Nederland BV	Netherlands	Food and support services
Compass Group Nederland Holding BV	Netherlands	Holding company
Eurest Services BV	Netherlands	Food and support services
Compass Group Holdings Spain, S.L.	Spain	Holding company
Eurest Colectividades S.L.	Spain	Food and support services
Compass Group (Schweiz) AG	Switzerland	Food and support services
Restorama AG	Switzerland	Food service
<b>Fast Growing &amp; Emerging</b>		
Compass Group (Australia) Pty Ltd	Australia	Food and support services
GR SA	Brazil	Food and support services
Compass Group Southern Africa (Pty) Ltd (97.5%)	South Africa	Food and support services
Supercare Services Group (Proprietary) Limited (97.5%)	South Africa	Support service
Sofra Yemek Üretim Ve Hizmet A.S.	Turkey	Food and support services

(1) Held directly by the Parent Company.

## Compass Group PLC

## Consolidated Financial Statements (continued)

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### Notes:

- (a) Compass Group is one of the world's leading foodservice and support services companies with annual revenue of £17 billion operating in over 50 countries.
- (b) MAP is a simple, but clearly defined Group operating framework. MAP focuses on five key value drivers, enabling the businesses to deliver disciplined, profitable growth with the focus more on organic growth and like for like growth.

The five key value drivers are:

- MAP 1: Client sales and marketing
- MAP 2: Consumer sales and marketing
- MAP 3: Cost of food
- MAP 4: Unit costs
- MAP 5: Above unit overheads

- (c) The timetable for payment of the final dividend of 17.7p per share is as follows:

Ex dividend date:	22 January 2015
Record date:	23 January 2015
Payment date:	23 February 2015

- (d) The Full Year Results Announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

- (e) Forward looking statements

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

- (f) A presentation for analysts and investors will take place at 9:45 a.m. (London) on Wednesday 26 November 2014 at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ.

The live presentation can also be accessed via both a teleconference and webcast:

- To listen to the live presentation via teleconference, dial 44 (0)20 3003 2666.
- To view the presentation slides and/or listen to a live webcast of the presentation, go to [www.compass-group.com](http://www.compass-group.com) or [www.cantos.com](http://www.cantos.com).

A replay recording of the presentation will also be available via teleconference and webcast:

- A teleconference replay of the presentation will be available from 12:00 noon (London) on Wednesday 26 November 2014 for 7 days. To hear the replay, dial 44 (0)20 8196 1998, conference reference 6156988.
- A webcast replay of the presentation will be available for six months at [www.compass-group.com](http://www.compass-group.com) and [www.cantos.com](http://www.cantos.com)

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