Full year results announcement for the year ended 30 September 2016

Compass reports another strong set of results. Organic revenue growth of 5% was converted into profit and cash which was reinvested in the business or returned to shareholders.

	Underlying[1] results			Statutory results		
	2016	2015	Change	2016	2015	Change
Revenue	£19.9 billion	£18.7 billion[2]	+5.0%[3]	£19.6 billion	£17.6 billion	+11.5%
Operating profit	£1,445 million	£1,368 million[2]	+5.6%[2]	£1,409 million	£1,261 million	+11.7%
Operating margin	7.2%	7.2%	-	7.1%	7.1%	-
Earnings per share	61.1 pence	56.7 pence[2]	+7.8%[2]	60.4 pence	52.3 pence	+15.5%
Free cash flow	£908 million	£722 million	+25.8%	£899 million	£686 million	+31.0%
Full year dividend per share	31.7 pence	29.4 pence	+7.8%	31.7 pence	29.4 pence	+7.8%

[1] Underlying measures are defined in the glossary of terms on page 44 and explained on page 3.
[2] Measured on a constant currency basis.
[3] Organic revenue growth.

Strong organic revenue growth of 5%

- Another excellent year in North America with growth of 8.1%
- Continued progress in Europe, with organic revenue up 2.8%
- Rest of World grew 3.6%, excluding Offshore & Remote

Underlying operating margin flat

- Our Management and Performance (MAP) programme continues to drive operating efficiencies
- Investment to support growth and the creation of nine sub-regional business units in Europe
- Restructuring plan announced in July 2015, is now complete and delivering the expected savings

Growth, execution and returns to shareholders: a proven and sustainable model

- Underlying free cash flow of £908 million, up 26%
- Proposed full year dividend up 7.8%, in line with constant currency EPS growth

Statutory results

- On a statutory basis, revenue, operating profit and earnings per share benefitted by around 6% from the translational effect of weaker sterling

Chief Executive's Statement

Richard Cousins, Group Chief Executive, said:

"Compass has had another strong year. Performance in North America continues to be excellent, and we are pleased with our progress in Europe. In the Rest of World, the performance is mixed, with the impact of the cyclical downturn in our commodity related business offsetting reasonable progress elsewhere.

Our expectations for 2017 are positive, with growth weighted to the second half of the year. The pipeline of new contracts is good and our focus on organic growth, efficiencies and cash gives us confidence in another year of delivery.

In the longer term, we remain excited about the significant structural growth opportunities globally and the potential for further revenue growth, margin improvement, and continued returns."

Results presentation today

The results presentation for investors and analysts is being held today at 9.30 a.m. at Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. A live webcast of the results presentation will be broadcast today at 9.30 a.m., accessible via the Company's website, www.compass-group.com. At the end of the presentation you will be able to participate in a question and answer session by dialling:

UK Toll Number:	+44 (0) 203 139 4830
UK Toll-Free Number:	+44 (0) 808 237 0030
US Toll Number:	+1 718 873 9077
US Toll-Free Number:	+1 866 928 7517
Participant PIN Code:	17775331#

Financial calendar

Ex-dividend date for 2016 final dividend	19 January 2017
Record date for 2016 final dividend	20 January 2017
Annual General Meeting/Q1 Trading Update	2 February 2017
2016 final dividend payment	20 February 2017

Enquiries

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Website	www.compass-group.com	

Chief Executive's Statement (continued)

Basis of preparation

Throughout the Annual Results Announcement, and consistent with prior years, underlying measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting practice principles (GAAP).

The Executive Board of the Group manage and assess the performance of the business on these measures and believe they are more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more useful information to shareholders. All underlying measures are defined in the glossary of terms on page 44.

A summary of the adjustments from statutory results to underlying results is shown on page 10 and further detailed in the consolidated income statement (page 17), reconciliation of free cash flow (page 23), and note 1 segmental reporting (pages 24 to 25).

Group overview

Revenue for the Group increased by 5.0% on an organic basis. New business wins were 8.8% driven by strong MAP 1 (client sales and marketing) performance in most countries. Our retention rate was 94.1% as a result of our ongoing focus and investment. We aim to increase participation and spend through MAP 2 (consumer sales and marketing) initiatives. Like for like revenue growth of 2.1% reflected sensible price increases and modest volume improvement in North America offset by negative volumes in Rest of World.

The restructuring programme announced in July 2015 to reduce the cost base in our Offshore & Remote business and in some emerging markets is now complete and delivering the expected savings. Restructuring costs totalled £51 million (£25 million and £26 million charged in 2016 and 2015 respectively). These costs have been included in underlying Group operating profit.

Underlying operating profit increased by 5.6% on a constant currency basis. The underlying operating margin was flat, as we continue to drive efficiencies across the business using our Management and Performance (MAP) framework. We have maintained our focus on MAP 3 (cost of food) with initiatives such as menu planning and supplier rationalisation, as well as continually optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads). These efficiencies enabled us to invest to support the exciting growth opportunities we see around the world.

Returns to shareholders continue to be an integral part of our business model. The Group returned £596 million to shareholders in the year, £496 million by way of dividends and £100 million in share buybacks. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to underlying EBITDA of around 1.5x.

Chief Executive's Statement (continued)

Regional performances

North America – 56% of underlying Group revenue (2015: 52%)

Regional financial summary	Underlying 2016	Underlying 2015	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£11,198m**	£9,361m	19.6%	10.5%	8.1%
Operating profit	**£908m**	£760m	19.5%	10.3%	9.1%
Operating margin	**8.1%**	8.1%	-		

Our business in North America has had another strong year, with organic revenue growth of 8.1%, driven by new business wins and high retention rates. We have seen good like for like revenue improvement across the region as we drive MAP 2 participation, with the exception of the Offshore & Remote sector where we are experiencing ongoing volume pressure.

In the Business & Industry sector, our sub-sectorisation provides high end/premium offers (for example Bon Appetit and Restaurant Associates), value offers (for example Canteen's vending business), and our core Eurest business. We have seen good levels of new business and positive like for like volumes in some of the sub-sectors. New contract wins include Coach, Inc and Oracle as well as adding new locations and services at LinkedIn.

Excellent organic revenue growth in the Healthcare & Seniors business was delivered through new contract wins where we are benefitting from accelerating rates of outsourcing and consolidation in the sector. Examples include Mountain States Health Alliance, where we have added additional business, Maricopa Integrated Health System and the McLaren Health Care Corporation.

The Education sector has seen increased levels of participation along with new business wins, including Furman University, Babson College and the DeSoto Independent Schools District.

We have delivered double digit organic revenue growth in our Sports & Leisure business with excellent retention and strong like for like revenues coming from additional playoff matches and increased spend per head. New business wins include the University of Notre Dame and Greater Columbus Convention Center and we have expanded our service offering at the Target Center.

Low commodity prices continue to impact our Offshore & Remote business. Organic revenue declines of 16% result from business closures and lower volumes on site. However, we continue to win new business, including contracts with CH2M Hill and ExxonMobil.

Underlying operating profit of £908 million increased by 10.3% (£85 million) on a constant currency basis. We incurred high levels of mobilisation costs with the top line growth, above average labour inflation and the dilutive impact of the first year of the CulinArt acquisition. These headwinds were offset by overhead leverage and ongoing efficiency initiatives across MAPs 3 and 4, resulting in a flat underlying operating margin.

Chief Executive's Statement (continued)

Europe – 28% of underlying Group revenue (2015: 29%)

Regional financial summary	Underlying 2016	Underlying 2015	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£5,458m**	£5,192m	5.1%	2.7%	2.8%
Operating profit	**£394m**	£374m	5.3%	2.6%	2.6%
Operating margin	**7.2%**	7.2%	-		

Europe grew organic revenue by 2.8%, the highest growth rate we have seen since 2008. This was driven by good levels of new business wins. Like for like revenue was slightly positive due to some pricing and flat volumes. Our fourth quarter growth rate was impacted by the closure of some contracts and strong Sports & Leisure comparatives in the UK.

New business wins were strong in the UK, Nordics, BeNeLux, Iberia and Turkey. Some examples of wins include the Politieacademie in the Netherlands, AXA in Spain, Darussafaka in Turkey and the Aeroports de Paris and Macif in France. Contract extensions include Arcelor Mittal in Germany and BT and HSBC in the UK.

Like for like volumes were impacted by the timing of a number of sports events in the UK in the fourth quarter of 2015 and by weakness in the oil and gas business, where we have seen revenue declines of 25% in the year, and France which is still challenging.

Underlying operating profit grew by 2.6% (£10 million) on a constant currency basis, delivering a flat underlying operating margin at 7.2%. Our ongoing focus on pricing and operational efficiencies allowed us to reinvest in the business to support the higher levels of growth, absorb the impact of lower like for like volumes in the oil and gas business, offset minimum wage pressures across the region and cover the cost of creating nine sub-regional business units. This new structure will allow us to maximise our scale in procurement, leverage our overheads and speed up the sharing and implementation of best practices.

Chief Executive's Statement (continued)

Rest of World – 16% of underlying Group revenue (2015: 19%)

Regional financial summary	Underlying 2016	2015	Change Reported rates	Constant currency	Organic
Revenue	**£3,215m**	£3,290m	(2.3)%	(1.9)%	(1.2)%
Operating profit	**£218m**	£241m	(9.5)%	(8.8)%	(7.9)%
Operating margin	**6.8%**	7.3%	(50)bps		

In the Rest of World region, organic revenue declined by 1.2%. Excluding the Offshore & Remote business, organic revenue grew by 3.6% while in the Offshore & Remote business, organic revenue declined by 10%.

In the non-Offshore & Remote business, good new business wins in Brazil, which include Centre Norte, Carrefour and Hospital Novo Metropolitano, have been offset by further negative like for like volumes as a result of a challenging macroeconomic environment. Across the rest of Latin America, we continue to see strong organic growth driven by contract wins including Hospital Britanico in Argentina, Jabil Chihuahua and Banco Santander in Mexico and San Vicente de Paul in Colombia.

We delivered modest growth in Japan with new contract wins including Yame City Health Promotion Facility and the Canon Headquarters. India and China continue to perform well with growth driven by contract wins such as TCS Mumbai and Flipkart in India, plus Ant Financial and Yew Wah International School in China.

Across the Middle East, we saw good levels of new business including contracts with Abu Dhabi Water and Electricity Authority and Zakum Development Company in the UAE, Sidra Medical and Research Centre in Qatar and the Children's Cancer Hospital Foundation in Egypt.

In Australia we have won business across all sectors including Riverview College, a prestigious school in Sydney, Melbourne Museum's cafes and special event catering, and a number of Seniors' contracts including Aurrum and Baptist Care.

In the Offshore & Remote business, Australia saw organic revenue declines of 17%, as expected. Many construction contracts moved into their production phases and there are ongoing pricing pressures, site closures and lower volumes. We expect the current revenue decline to accelerate through 2017. Our other Offshore & Remote businesses in Latin America, Africa and Asia are facing similar pressures.

Underlying operating margins excluding Australia were flat. The savings from the restructuring programme announced in 2015, along with pricing and ongoing efficiencies, offset the impact of weak volumes in Brazil and our Offshore & Remote business. However, pricing pressures and site closures have reduced the profitability of our Australian business by £26 million. Underlying operating profit therefore declined by 8.8% (£21 million) on a constant currency basis, with the underlying operating margin down 50 basis points to 6.8%, in line with expectations.

Chief Executive's Statement (continued)

Strategy

Focused on food

Food is our focus and our core competence. The addressable food service market is estimated to be more than £200 billion. With only around 50% of the market currently outsourced, there is a significant structural growth opportunity. We believe the benefits of outsourcing become increasingly apparent as economic conditions and regulatory changes put pressure on organisations' budgets. As one of the largest providers in all of our sectors, we are well placed to benefit from these trends.

Our approach to support and multi services is low risk and incremental, with strategies developed on a country by country basis. This is a complex segment and there are significant differences in client buying behaviour across countries, sectors and sub-sectors. Our largest sector in this market is Defence, Offshore & Remote, where the model is almost universally multi service. In addition, we have an excellent support services business in North America and other selected countries.

Geographic spread

We have a truly international business, with operations in over 50 countries. We manage the business in three geographic regions.

North America (56% of underlying Group revenue) is the principal growth engine for the Group. The outsourcing culture is vibrant and the addressable market is significant. We have a market leading business, which delivers high levels of growth by combining a sectorised client facing approach with the cost advantage of our scale.

The fundamentals of our businesses in Europe (28% of underlying Group revenue) are good and we see many opportunities to drive revenue growth and margin improvement. We have invested in MAP 1 sales and retention to return the region to growth. This year we have created nine new business units to leverage our scale in procurement, lower costs and speed up the sharing and implementation of best practices.

Rest of World (16% of underlying Group revenue) offers very good long term growth potential. Our largest markets are Australia, Japan and Brazil, and we are growing in India and China. Lower commodity prices and weak volumes have impacted our Offshore & Remote business. We have restructured our business to adapt to the changing market environment, and remain excited about the attractive long term growth prospects of the region.

Sectorised approach

We segment the market and create sectors and sub-sectors to develop customised solutions that meet the requirements of a wide and growing range of clients and consumers. Our portfolio of B2B brands enables us to differentiate these propositions and maximise our market coverage.

Scale

As we continue to grow, our increasing scale allows us to achieve our goal of being the lowest cost, most efficient provider of food and support services. Scale is a benefit in terms of food procurement, labour management and back office costs. It underpins our competitiveness and enables us to deliver sustainable growth over time.

Management and Performance (MAP) culture

We speak one common 'MAP' language. All our employees use this simple framework to drive performance across the business. It helps us focus on a common set of business drivers, whether it is winning new business in the right sector on the right terms (MAP 1), increasing our consumer participation and spend (MAP 2), reducing our food costs (MAP 3), or labour costs (MAP 4 and 5).

Chief Executive's Statement (continued)

Uses of cash and balance sheet priorities

The Group's cash flow generation remains excellent and it will continue to be a key part of the business model. Our priorities for how we use our cash remain unchanged. We will continue to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) pursue M&A opportunities, our preference is for small to medium sized infill acquisitions, where we look for returns greater than our cost of capital by the end of year two; (iii) grow the dividend in line with constant currency earnings per share; and (iv) maintain strong investment grade credit ratings by returning any surplus cash to shareholders to target net debt to underlying EBITDA of around 1.5x.

Non-executive Board changes

The Company announces changes to the composition of its Non-Executive Directors as part of its ongoing review of the Board membership which is designed to ensure that an appropriate number of independent Non-Executive Directors is maintained through orderly succession and without compromising the effectiveness of the Board and its committees.

Mrs Susan Murray's 9-year term of appointment came to an end on 11 October 2016. Mrs Murray has agreed to remain on the Board until the conclusion of the Annual General Meeting of the Company which will be held on 2 February 2017, at which meeting she will not seek re-election and will retire. Nelson Silva will succeed Mrs Murray as Chairman of the Corporate Responsibility Committee from 2 February 2017.

Summary and outlook

Compass has had another strong year. Performance in North America continues to be excellent, and we are pleased with our progress in Europe. In the Rest of World, the performance is mixed, with the impact of the cyclical downturn in our commodity related business offsetting reasonable progress elsewhere.

Our expectations for 2017 are positive, with growth weighted to the second half of the year. The pipeline of new contracts is good and our focus on organic growth, efficiencies and cash gives us confidence in another year of delivery.

In the longer term, we remain excited about the significant structural growth opportunities globally and the potential for further revenue growth, margin improvement, and continued returns.

Richard Cousins
Group Chief Executive
22 November 2016

Business Review

2016 has been another strong year with good organic revenue growth of 5.0%, underlying margin delivery of 7.2% and an increase in free cash flow of 26%.

Financial summary

	2016	2015	Increase
Revenue			
Underlying at constant currency	**£19,871m**	£18,725m	6.1%
Underlying at reported rates	**£19,871m**	£17,843m	11.4%
Statutory	**£19,605m**	£17,590m	11.5%
Organic growth	**5.0%**	5.8%	
Total operating profit			
Underlying at constant currency	**£1,445m**	£1,368m	5.6%
Underlying at reported rates	**£1,445m**	£1,296m	11.5%
Statutory	**£1,409m**	£1,261m	11.7%
Operating margin			
Underlying at reported rates	**7.2%**	7.2%	-
Statutory	**7.1%**	7.1%	-
Profit before tax			
Underlying at constant currency	**£1,344m**	£1,260m	6.7%
Underlying at reported rates	**£1,344m**	£1,192m	12.8%
Statutory	**£1,321m**	£1,159m	14.0%
Basic earnings per share			
Underlying at constant currency	**61.1p**	56.7p	7.8%
Underlying at reported rates	**61.1p**	53.7p	13.8%
Statutory	**60.4p**	52.3p	15.5%
Free cash flow			
Underlying at reported rates	**£908m**	£722m	25.8%
Statutory	**£899m**	£686m	31.0%
Full year dividend per ordinary share	**31.7p**	29.4p	7.8%

Business Review (continued)

Segmental performance

	Underlying revenue		Underlying revenue growth		
	2016	2015[1]	Reported	Constant	
	£m	£m	Rates	Currency	Organic
North America	**11,198**	9,361	19.6%	10.5%	8.1%
Europe	**5,458**	5,192	5.1%	2.7%	2.8%
Rest of World	**3,215**	3,290	(2.3)%	(1.9)%	(1.2)%
Total	**19,871**	17,843	11.4%	6.1%	5.0%

	Underlying operating profit		Underlying operating margin	
	2016	2015[1]	**2016**	2015[1]
	£m	£m	**%**	%
North America	**908**	760	**8.1%**	8.1%
Europe	**394**	374	**7.2%**	7.2%
Rest of World	**218**	241	**6.8%**	7.3%
Unallocated overheads	**(65)**	(66)		
Total before associates and EM & OR restructuring	**1,455**	1,309	**7.3%**	7.3%
EM & OR restructuring	**(25)**	(26)		
Total before associates	**1,430**	1,283	**7.2%**	7.2%
Associates	**15**	13		
Total	**1,445**	1,296		

1 Europe and Rest of World segments have been restated to reflect a change in the way these are managed.

Statutory and underlying results

	2016			2015			
	Statutory	**Adjustments**	**Underlying**	Statutory	Adjustments	Underlying	Constant Currency
	£m	**£m**	**£m**	£m	£m	£m	£m
Revenue	**19,605**	**266**	**19,871**	17,590	253	17,843	18,725
Operating profit	**1,409**	**36**	**1,445**	1,261	35	1,296	1,368
Other gains/(losses)	**1**	**(1)**	**-**	(1)	1	-	-
Net finance costs	**(89)**	**(12)**	**(101)**	(101)	(3)	(104)	(108)
Profit before tax	**1,321**	**23**	**1,344**	1,159	33	1,192	1,260
Tax	**(319)**	**(11)**	**(330)**	(282)	(10)	(292)	(309)
Profit after tax	**1,002**	**12**	**1,014**	877	23	900	951
Non-controlling interest	**(10)**	**-**	**(10)**	(8)	-	(8)	(8)
Attributable profit	**992**	**12**	**1,004**	869	23	892	943
Average number of shares (millions)	**1,643**	**-**	**1,643**	1,662	-	1,662	1,662
Basic earnings per share (pence)	**60.4p**	**0.7p**	**61.1p**	52.3p	1.4p	53.7p	56.7p
EBITDA	**1,835**	**5**	**1,840**	1,627	9	1,636	n/a
Gross capex	**580**	**-**	**580**	506	1	507	n/a
Free cash flow	**899**	**9**	**908**	686	36	722	n/a

Further details of the adjustments can be found in the Consolidated income statement and Consolidated cash flow statement.

Business Review (continued)

Statutory results

Statutory revenue was £19,605 million (2015: £17,590 million), with growth of 11.5%. Statutory operating profit was £1,409 million (2015: £1,261 million), an increase of 11.7% over the prior year. Statutory profit before tax of £1,321 million (2015: £1,159 million) delivered basic earnings per share of 60.4 pence (2015: 52.3 pence), an increase of 15.5% over the prior year. The weakening of sterling against the majority of the Group's key currencies has given rise to approximately 6% positive impact in each of these measures.

Underlying revenue

Underlying revenue was £19,871 million (2015: £ 17,843 million), an increase of 11.4%. If we restate 2015's revenue at the 2016 average exchange rates for the year, it would increase by £882 million. On a constant currency basis, underlying revenue has therefore increased by £1,146 million, or 6.1%. Organic revenue growth for the year was 5.0%, comprising new business of 8.8%, a retention rate of 94.1% and like for like growth of 2.1%.

Underlying operating profit

Underlying operating profit was £1,445 million (2015: £1,296 million), an increase of 11.5%. If we restate 2015's profit at the 2016 average exchange rates for the year, it would increase by £72 million. On a constant currency basis, underlying operating profit has therefore increased by £77 million, or 5.6%.

Underlying finance costs

The underlying net finance cost was £101 million (2015: £104 million), with the decrease a result of lower pension interest costs given the increased surplus on the UK scheme. For 2017, we expect an underlying net finance cost of around £110 million, reflecting the weakness of sterling on foreign denominated debt. This equates to an effective interest rate of around 3% on gross debt.

Underlying income tax expense

On an underlying basis, the tax charge was £330 million (2015: £292 million), equivalent to an effective tax rate of 24.5% (2015: 24.5%).

In 2017 we expect to see upward pressure on the tax rate. This is a consequence of both the changing regulatory environment affecting all multinationals and the impact of exchange rates. Our current expectations are for the 2017 tax rate to be around 1% higher than 2016, but we note that we are likely to see a continuing period of significant uncertainty in the international corporate tax environment as we look forward.

Underlying basic earnings per share

On an underlying basis, the basic earnings per share grew by 13.8% to 61.1 pence (2015: 53.7 pence). If we restate 2015's basic earnings per share at the 2016's average rates for the year, it would be 56.7 pence. On a constant currency basis, basic earnings per share therefore increased by 7.8%.

Dividends

Our dividend policy is to grow the dividend in line with growth in underlying constant currency earnings per share. It is therefore proposed that a final dividend of 21.1 pence per share be paid on 20 February 2017 to shareholders on the register on 20 January 2017. This will result in a total dividend for the year of 31.7 pence per share (2015: 29.4 pence per share), a year on year increase of 7.8%. The dividend is covered 1.9 times on an underlying earnings basis and 1.8 times on a cash basis. We remain committed to growing the dividend in line with constant currency earnings.

Business Review (continued)

Underlying Free cash flow

Underlying free cash flow grew by 26% to £908 million (2015: £722 million), in part due to foreign exchange. Free cash flow conversion has increased to 63% (2015: 56%).

Underlying gross capital expenditure of £580 million (2015: £507 million) is equivalent to 2.9% of underlying revenues (2015: 2.8% of underlying revenues), and we expect that capex in 2017 will be at a similar percentage of underlying revenues. We continue to deliver strong returns on our capital expenditure across all regions.

Excluding pensions and provisions, trade working capital has decreased by £12 million (2015: £17 million increase). Some underlying improvements and some timing differences offset the negative impact of around £70 million from the timing of our payroll run in September in the USA and UK. We continue to focus on improving working capital and expect a small outflow in 2017.

The cash outflow of £39 million (2015: £59 million) on post-employment benefit obligations largely reflects payments agreed with trustees to reduce deficits on the defined benefit pension scheme in the UK. Following the completion of the tri-annual valuation of the Compass Group Pension Plan in the UK, which now has a funding surplus, we have agreed with the trustees that we will stop our deficit reduction payments. We therefore expect our cash outflow on post-employment benefit obligations to reduce to around £20 million in 2017.

The underlying cash tax rate for the year was 18% (2015: 20%) which is slightly lower than the expected level. This is largely a result of certain legislation changes during the year in North America. In 2017 we expect the cash tax rate to be in the range of 20 to 23%.

The net interest outflow for the year was £94 million (2015: £93 million).

Post-employment benefit obligations

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 has a net pension deficit of £21 million at 30 September 2016, calculated in accordance with IAS 19, for all Group defined benefit schemes (2015: £9 million deficit). The total pensions charge for defined contribution schemes in the year was £100 million (2015: £84 million) and £17 million (2015: £21 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £1 million charge to net finance cost (2015: £5 million), which has reduced due to the increase in the UK accounting surplus in 2015 compared to 2014.

Acquisition payments

The total cash spend on acquisitions in the year, net of cash acquired, was £180 million (2015: £89 million), comprising £148 million of infill acquisitions, £2 million of acquisition transaction costs and £30 million of deferred consideration relating to prior years' acquisitions.

Return on capital employed

Return on capital employed was 19.4% (2015: 19.1%) based on underlying operations, net of tax at the effective underlying rate of 24.5% (2014: 24.5%), and excluding the Group's non-controlling partners' share of total operating profit. The average capital employed was £5,565 million (2015: £5,093 million). On a constant currency basis, the increase in return on capital employed would have been 10 basis points, with the remainder a result of currency movements.

Business Review (continued)

Purchase of own shares

During the year, the Group purchased shares for a consideration of £100 million (2015: £328 million).

Related party transactions

We have not had, or expect to have, any transactions with related parties that have a material effect on the financial performance or position of the Group.

Financial position

The ratio of net debt to market capitalisation of £24,737 million as at 30 September 2016 was 12% (2015: 15%).

At the end of the year, net debt was £2,874 million (2015: £2,603 million). The ratio of net debt to underlying EBITDA was 1.6x, higher than usual due to movements in currency in the final quarter of the year. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to underlying EBITDA of around 1.5x.

Shareholder return

The market price of the Group's ordinary shares at the close of the financial year was 1,495.00 pence per share (2015: 1,053.00 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, its shareholders, employees, clients, consumers and all other stakeholders.

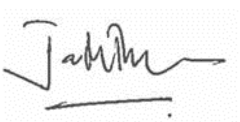
The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 14 to 16.

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.

The Group has considerable financial resources together with longer term contracts with a number of clients and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of this Results Announcement. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Johnny Thomson
Group Finance Director
22 November 2016

Focus on Risk

Identifying and managing risk

The Board continues to take a proactive approach to recognising, assessing 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 Announcement. 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. These include risks resulting from the recent Brexit Referendum which could adversely affect the risks noted under the 'economic and political environment' noted in the table below as well as affecting financial risks such as liquidity and credit.

Although the risks related to the Brexit Referendum have been discussed by the Board, it is too early to properly understand the impact on the business. In accordance with the provisions of the UK Corporate Governance Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability Statement. The Going Concern and Viability Statement can be found in the Strategic Report in the Annual Report.

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, 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. We recognise that these risks remain important to the business and they are kept under review. However, we have focused the disclosures on pages 14 to 16 on those risks that are currently considered to be more significant to the Group.

Change in risk key

Increased risk   Consistent risk

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
HEALTH AND SAFETY		
HEALTH AND SAFETY 2015 (Consistent risk) 2016 (Consistent risk)	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)

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
CLIENTS AND CONSUMERS		
CLIENT AND CONSUMER SALES AND RETENTION 2015 → 2016 →	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.
BIDDING 2015 → 2016 →	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.
SERVICE DELIVERY AND CONTRACTUAL COMPLIANCE 2015 → 2016 →	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.
COMPETITION 2015 → 2016 →	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary 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 by focusing on our points of strength, such as flexibility in our cost base, quality and value of service and innovation.
PEOPLE		
RECRUITMENT 2015 → 2016 →	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.
RETENTION AND MOTIVATION 2015 → 2016 →	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.	The Group has established training, development, performance management and reward programmes to retain, develop and motivate our best people. The Group has a well established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.
ECONOMIC AND POLITICAL ENVIRONMENT		
ECONOMY 2015 ↑ 2016 ↑	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.

Focus on Risk (continued)

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
ECONOMIC AND POLITICAL ENVIRONMENT		
COST INFLATION 2015 ↑ 2016 →	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or food, especially in countries such as Brazil, could constitute a risk to our ability to do this.	As part of our MAP framework, we seek to manage inflation by 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.
POLITICAL STABILITY 2015 → 2016 ↑	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 caused, for example, by the Brexit Referendum.	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.
COMPLIANCE AND FRAUD		
COMPLIANCE AND FRAUD 2015 → 2016 ↑	Ineffective compliance management with increasingly complex 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.	The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls. Regulation and compliance risk is also considered as part of our annual business planning process.
TAX COMPLIANCE 2015 ↑ 2016 →	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. However, in an increasingly complex international corporate tax environment, a degree of uncertainty is inevitable and we note in particular the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.	We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.
INFORMATION SYSTEMS AND TECHNOLOGY		
INFORMATION SYSTEMS AND TECHNOLOGY 2015 ↑ 2016 ↑	The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation, through, for example, the use of social media.	We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.

Compass Group PLC
Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	**Total 2016 £m**	Total 2015 £m
Combined sales of Group and share of equity accounted joint ventures	1	**19,871**	17,843
Less: share of sales of equity accounted joint ventures	10	**(266)**	(253)
Revenue		**19,605**	17,590
Operating costs	2	**(18,235)**	(16,368)
Operating costs, excluding Emerging Markets and Offshore & Remote restructuring		**(18,210)**	(16,342)
Emerging Markets and Offshore & Remote restructuring		**(25)**	(26)
Operating profit before joint ventures and associates		**1,370**	1,222
Share of profit after tax of joint ventures and associates	1,10	**39**	39
Operating profit		**1,409**	1,261
Underlying operating profit[1]	1	**1,445**	1,296
Amortisation of intangibles arising on acquisition	8	**(31)**	(26)
Acquisition transaction costs	19	**(2)**	(2)
Adjustment to contingent consideration on acquisition		**-**	(5)
Share-based payments expense - non-controlling interest call option		**(1)**	-
Tax on share of profit of joint ventures		**(2)**	(2)
Profit/(loss) on disposal of US businesses		**1**	(1)
Finance income	3	**4**	3
Finance costs	3	**(105)**	(107)
Other financing items		**12**	3
Profit before tax		**1,321**	1,159
Income tax expense	4	**(319)**	(282)
Profit for the year		**1,002**	877
ATTRIBUTABLE TO			
Equity shareholders of the Company		**992**	869
Non-controlling interests		**10**	8
Profit for the year		**1,002**	877
BASIC EARNINGS PER SHARE (PENCE)	5	**60.4p**	52.3p
DILUTED EARNINGS PER SHARE (PENCE)	5	**60.3p**	52.2p

1 Underlying operating profit excludes amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense relating to non-controlling interest call options, but includes share of profit after tax of associates and operating profit of joint ventures.

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 £m	2015 £m
Profit for the year	**1,002**	877
Other comprehensive income		
Items that are not reclassified subsequently to profit or loss		
Remeasurement of post-employment benefit obligations - loss	**(500)**	(37)
Return on plan assets, excluding interest income - gain	**480**	145
Tax on items relating to the components of other comprehensive income	**6**	(20)
	(14)	88
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**158**	(92)
	158	(92)
Total other comprehensive income/(loss) for the year	**144**	(4)
Total comprehensive income for the year	**1,146**	873
ATTRIBUTABLE TO		
Equity shareholders of the Company	**1,136**	865
Non-controlling interests	**10**	8
Total comprehensive income for the year	**1,146**	873

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2015	176	182	295	(1)	4,189	(2,904)	13	1,950
Profit for the year	-	-	-	-	-	992	10	1,002
Other comprehensive income								
Currency translation differences	-	-	-	-	158	-	-	158
Remeasurement of post-employment benefit obligations - loss	-	-	-	-	-	(500)	-	(500)
Return on plan assets, excluding interest income - gain	-	-	-	-	-	480	-	480
Tax on items relating to the components of other comprehensive income	-	-	-	-	(2)	8	-	6
Total other comprehensive income/(loss)	-	-	-	-	156	(12)	-	144
Total comprehensive income for the year	-	-	-	-	156	980	10	1,146
Employee share options	-	-	-	-	-	-	-	-
Fair value of share-based payments	-	-	-	1	16	1	-	18
Release of LTIP award settled by issue of shares	-	-	-	-	(2)	-	-	(2)
Tax on items taken directly to equity	-	-	-	-	-	9	-	9
Share buyback[1]	-	-	-	-	-	(100)	-	(100)
Issue of treasury shares to satisfy employee share scheme awards exercised	-	-	-	-	-	3	-	3
Other changes	-	-	-	-	-	-	1	1
	176	182	295	-	4,359	(2,011)	24	3,025
Dividends paid to Compass shareholders (note 6)	-	-	-	-	-	(496)	-	(496)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(9)	(9)
At 30 September 2016	176	182	295	-	4,359	(2,507)	15	2,520

1 Including stamp duty and brokers' commission.

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2015	179	4,170	7	(161)	(6)	4,189
Other comprehensive income						
Currency translation differences	-	-	-	158	-	158
Tax on items relating to the components of other comprehensive income (note 4)	-	-	-	(2)	-	(2)
Total other comprehensive income	-	-	-	156	-	156
Fair value of share-based payments	16	-	-	-	-	16
Release of LTIP award settled by issue of shares	(2)	-	-	-	-	(2)
At 30 September 2016	193	4,170	7	(5)	(6)	4,359

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Own shares held by the Group represent 16,198 ordinary shares in Compass Group PLC (2015: 27,799 ordinary shares). No shares (2015: 11,601) are held by the Compass Group Employee Share Trust (ESOP) and 16,198 (2015: 16,198) shares are held 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 2016 was £0.2 million (2015: £0.3 million). The nominal value held at 30 September 2016 was £1,721 (2015: £2,954).

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.

Up to 31 March 2016, repurchased ordinary shares were transferred and held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. From 1 April 2016 onwards, all repurchased ordinary shares were cancelled rather than being placed in treasury.

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

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2014	178	174	293	(1)	4,277	(3,082)	9	1,848
Profit for the year	-	-	-	-	-	869	8	877
Other comprehensive income								
Currency translation differences	-	-	-	-	(92)	-	-	(92)
Remeasurement of post-employment benefit obligations - loss	-	-	-	-	-	(37)	-	(37)
Return on plan assets, excluding interest income - gain	-	-	-	-	-	145	-	145
Tax on items relating to the components of other comprehensive income	-	-	-	-	(1)	(19)	-	(20)
Total other comprehensive (loss)/income	-	-	-	-	(93)	89	-	(4)
Total comprehensive (loss)/income for the year	-	-	-	-	(93)	958	8	873
Issue of shares (for cash)	-	2	-	-	-	-	-	2
Fair value of share-based payments	-	-	-	-	15	-	-	15
Tax on items taken directly to equity	-	-	-	-	-	2	-	2
Share buyback[1]	(2)	-	2	-	-	(328)	-	(328)
Issue of treasury shares to satisfy employee share scheme awards exercised	-	-	-	-	-	1	-	1
Release of LTIP award settled by issue of new shares	-	6	-	-	(6)	-	-	-
Other changes	-	-	-	-	(4)	2	2	-
	176	182	295	(1)	4,189	(2,447)	19	2,413
Dividends paid to Compass shareholders (note 6)	-	-	-	-	-	(457)	-	(457)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
At 30 September 2015	176	182	295	(1)	4,189	(2,904)	13	1,950

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2014	170	4,170	7	(70)	-	4,277
Other comprehensive income						
Currency translation differences	-	-	-	(92)	-	(92)
Tax on items relating to the components of other comprehensive income	-	-	-	(1)	-	(1)
Total other comprehensive loss	-	-	-	(93)	-	(93)
Fair value of share-based payments	15	-	-	-	-	15
Release of LTIP award settled by issue of new shares	(6)	-	-	-	-	(6)
Other changes	-	-	-	2	(6)	(4)
At 30 September 2015	179	4,170	7	(161)	(6)	4,189

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Notes	2016 £m	2015 £m
NON-CURRENT ASSETS			
Goodwill	7	**4,050**	3,538
Other intangible assets	8	**1,469**	1,130
Property, plant and equipment	9	**953**	764
Interests in joint ventures and associates	10	**222**	203
Other investments		**50**	38
Trade and other receivables	11	**97**	71
Deferred tax assets*		**149**	182
Derivative financial instruments**		**184**	58
Non-current assets		**7,174**	5,984
CURRENT ASSETS			
Inventories		**347**	282
Trade and other receivables	11	**2,596**	2,115
Tax recoverable*		**77**	64
Cash and cash equivalents**	12	**346**	283
Derivative financial instruments**		**2**	19
Current assets		**3,368**	2,763
Total assets		**10,542**	8,747
CURRENT LIABILITIES			
Short term borrowings**	13	**(321)**	(247)
Derivative financial instruments**		**(9)**	(7)
Provisions	15	**(143)**	(136)
Current tax liabilities*		**(195)**	(169)
Trade and other payables	14	**(3,851)**	(3,157)
Current liabilities		**(4,519)**	(3,716)
NON-CURRENT LIABILITIES			
Long term borrowings**	13	**(3,075)**	(2,684)
Derivative financial instruments**		**(1)**	(25)
Post-employment benefit obligations	16	**(21)**	(9)
Provisions	15	**(280)**	(251)
Deferred tax liabilities*		**(40)**	(28)
Trade and other payables	14	**(86)**	(84)
Non-current liabilities		**(3,503)**	(3,081)
Total liabilities		**(8,022)**	(6,797)
Net assets		**2,520**	1,950
EQUITY			
Share capital	17	**176**	176
Share premium account		**182**	182
Capital redemption reserve		**295**	295
Less: Own shares		**-**	(1)
Other reserves		**4,359**	4,189
Retained earnings		**(2,507)**	(2,904)
Total equity shareholders' funds		**2,505**	1,937
Non-controlling interests		**15**	13
Total equity		**2,520**	1,950

* Component of current and deferred taxes.

** Component of net debt.

Approved by the Board of Directors on 22 November 2016 and signed on their behalf by

RICHARD COUSINS, Director
JOHNNY THOMSON, Director

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £m	2015 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	**1,768**	1,476
Interest paid		**(98)**	(96)
Tax received		**17**	19
Tax paid		**(263)**	(261)
Net cash from operating activities		**1,424**	1,138
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies and investments in associated undertakings[1]		**(180)**	(89)
Proceeds from sale of subsidiary companies and associated undertakings[1]		**2**	3
Purchase of intangible assets	8	**(267)**	(222)
Purchase of property, plant and equipment[2]		**(311)**	(282)
Proceeds from sale of property, plant and equipment/intangible assets		**29**	28
Purchase of other investments		**(6)**	(1)
Proceeds from sale of other investments		**2**	1
Dividends received from joint ventures and associates		**33**	27
Interest received		**4**	3
Net cash used in investing activities		**(694)**	(532)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary share capital		**-**	2
Purchase of own shares[3]		**(100)**	(328)
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		**3**	1
Increase in borrowings	21	**194**	334
Repayment of borrowings	21	**(309)**	(250)
Repayment of obligations under finance leases	21	**(3)**	(5)
Equity dividends paid	6	**(496)**	(457)
Dividends paid to non-controlling interests		**(9)**	(6)
Net cash used in financing activities		**(720)**	(709)
CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in cash and cash equivalents	21	**10**	(103)
Cash and cash equivalents at beginning of the year	21	**283**	408
Currency translation gains/(losses) on cash and cash equivalents	21	**53**	(22)
Cash and cash equivalents at end of the year	21	**346**	283

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

2 Includes property, plant and equipment purchased under client commitments.

3 Includes stamp duty and brokers' commission.

Compass Group PLC
Consolidated Financial Statements (continued)

RECONCILIATION OF FREE CASH FLOW

FOR YEAR ENDED 30 SEPTEMBER 2016

	2016 £m	2015 £m
Net cash from operating activities	**1,424**	1,138
Purchase of intangible assets	**(267)**	(222)
Purchase of property, plant and equipment	**(311)**	(282)
Proceeds from sale of property, plant and equipment/intangible assets	**29**	28
Purchase of other investments	**(6)**	(1)
Proceeds from sale of other investments	**2**	1
Dividends received from joint ventures and associates	**33**	27
Interest received	**4**	3
Dividends paid to non-controlling interests	**(9)**	(6)
Free cash flow	**899**	686
Add back: Europe & Japan cash restructuring costs in the year	**9**	36
Underlying free cash flow	**908**	722

Compass Group PLC
Consolidated Financial Statements (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The financial information included within this announcement has been prepared using accounting policies in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted for use in the European Union (EU), and in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority. The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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, Europe and our Rest of World markets. These, together with Central activities, comprise the Group's reportable segments. Each segment derives revenue from delivery of food and support services. Our geographical segments have been restated in 2015 to reflect a change in the way these are managed: Europe now includes Turkey and Russia and Rest of World includes Japan.

REVENUE[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
YEAR ENDED 30 SEPTEMBER 2016				
Combined sales of Group and share of equity accounted joint ventures[2,3]	**11,198**	**5,458**	**3,215**	**19,871**
YEAR ENDED 30 SEPTEMBER 2015[4]				
Combined sales of Group and share of equity accounted joint ventures[2,3]	9,361	5,192	3,290	17,843

REVENUE[1]	Sectors Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	Total £m
YEAR ENDED 30 SEPTEMBER 2016						
Combined sales of Group and share of equity accounted joint ventures[2]	**7,602**	**3,621**	**4,472**	**2,416**	**1,760**	**19,871**
YEAR ENDED 30 SEPTEMBER 2015						
Combined sales of Group and share of equity accounted joint ventures[2]	6,743	3,139	3,847	2,138	1,976	17,843

1 There is no inter-segmental trading.

2 This is the revenue measure considered by the chief operating decision maker.

3 Continuing underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,981 million (2015: £1,912 million). Continuing underlying revenue from external customers arising in the US was £10,350 million (2015: £8,557 million). Continuing underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £17,890 million (2015: £15,931 million).

4 2015 Europe and Rest of World segments have been restated to reflect a change in the way these are managed.

Compass Group PLC
Consolidated Financial Statements (continued)

1 SEGMENTAL REPORTING CONTINUED

RESULT	North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
	Geographical segments				
YEAR ENDED 30 SEPTEMBER 2016					
Underlying operating profit before joint ventures and associates and Emerging Markets and Offshore & Remote restructuring	**906**	**394**	**194**	**(65)**	**1,429**
Add: Share of profit before tax of joint ventures	**2**	**-**	**24**	**-**	**26**
Underlying operating profit before associates and Emerging Markets and Offshore & Remote restructuring[2]	**908**	**394**	**218**	**(65)**	**1,455**
Add: Share of profit of associates	**10**	**5**	**-**	**-**	**15**
Underlying operating profit before Emerging Markets and Offshore & Remote restructuring	**918**	**399**	**218**	**(65)**	**1,470**
Less: Emerging Markets and Offshore & Remote restructuring[1]	**-**	**(6)**	**(19)**	**-**	**(25)**
Underlying operating profit[2]	**918**	**393**	**199**	**(65)**	**1,445**

RESULT	North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
	Geographical segments				
YEAR ENDED 30 SEPTEMBER 2015[3]					
Underlying operating profit before joint ventures and associates and Emerging Markets and Offshore & Remote restructuring	759	372	216	(66)	1,281
Add: Share of profit of joint ventures	1	2	25	-	28
Underlying operating profit before associates and Emerging Markets and Offshore & Remote restructuring[2]	760	374	241	(66)	1,309
Add: Share of profit of associates	8	5	-	-	13
Underlying operating profit before Emerging Markets and Offshore & Remote restructuring	768	379	241	(66)	1,322
Less: Emerging Markets and Offshore & Remote restructuring[1]	-	(3)	(18)	(5)	(26)
Underlying operating profit[2]	768	376	223	(71)	1,296

1 The Group has incurred charges resulting from the restructuring in response to the downturn in the trading conditions of its Emerging Markets and Offshore & Remote activities which include headcount reductions £22 million (2015: £17 million), other expenses £3 million (2015: £6 million), depreciation of owned property, plant and equipment £nil (2015: £2 million) and property lease rentals £nil (2015 £1 million).

2 Underlying operating profit is the profit measure considered by the chief operating decision maker.

3 2015 Europe and Rest of World segments have been restated to reflect a change in the way these are managed.

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2 OPERATING COSTS

OPERATING COSTS	Total 2016 £m	Total 2015 £m
Cost of food and materials:		
Cost of inventories consumed	**5,742**	5,219
Labour costs:		
Employee remuneration	**8,909**	7,959
Overheads:		
Depreciation - owned property, plant and equipment	**213**	190
Depreciation - leased property, plant and equipment	**3**	3
Amortisation - owned intangible assets	**179**	147
Property lease rentals	**81**	74
Other occupancy rentals - minimum guaranteed rent	**53**	64
Other occupancy rentals - rent in excess of minimum guaranteed rent	**9**	11
Other asset rentals	**79**	72
Audit and non-audit services	**5**	5
Emerging Markets and Offshore & Remote restructuring[1]	**25**	26
Other expenses	**2,903**	2,565
Operating costs before costs relating to acquisitions	**18,201**	16,335
Amortisation - intangible assets arising on acquisition	**31**	26
Acquisition transaction costs	**2**	2
Adjustment to contingent consideration on acquisition	**-**	5
Share-based payments expense - non-controlling interest call option	**1**	-
Total	**18,235**	16,368

1 Emerging Markets and Offshore & Remote restructuring comprises £22 million employee remuneration (2015: £17 million), £nil depreciation owned property, plant and equipment (2015: £2 million), £nil property lease rentals (2015: £1 million) and £3 million other expenses (2015: £6 million).

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3 FINANCE INCOME, COSTS AND RELATED (GAINS)/LOSSES

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

FINANCE INCOME AND COSTS	2016 £m	2015 £m
FINANCE INCOME		
Bank interest	**4**	3
Total finance income	**4**	3
FINANCE COST		
Interest on bank loans and overdrafts	**16**	13
Interest on other loans	**82**	82
Finance lease interest	**1**	1
Interest on bank loans, overdrafts, other loans and finance leases	**99**	96
Unwinding of discount on provisions	**5**	6
Interest on net post-employment benefit obligations	**1**	5
Total finance costs	**105**	107
ANALYSIS OF FINANCE COSTS BY DEFINED IAS 39[1] CATEGORY		
Fair value through profit or loss (unhedged derivatives)	**4**	5
Derivatives in a fair value hedge relationship	**(19)**	(23)
Derivatives in a net investment hedge relationship	**3**	5
Other financial liabilities	**111**	109
Interest on bank loans, overdrafts, other loans and finance leases	**99**	96
Fair value through profit or loss (unwinding of discount on provisions)	**5**	6
Outside of the scope of IAS 39 (net pension scheme charge)	**1**	5
Total finance costs	**105**	107

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. In accordance with the Group's accounting policies, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

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4 TAX

RECOGNISED IN THE INCOME STATEMENT: INCOME TAX EXPENSE ON OPERATIONS	2016 £m	2015 £m
CURRENT TAX		
Current year	**315**	284
Adjustment in respect of prior years	**(38)**	(24)
Current tax expense	**277**	260
DEFERRED TAX		
Current year	**27**	12
Impact of changes in statutory tax rates	**6**	1
Adjustment in respect of prior years	**9**	9
Deferred tax expense	**42**	22
TOTAL INCOME TAX		
Income tax expense on operations	**319**	282

The income tax expense for the year is based on the effective UK statutory rate of corporation tax for the period of 20% (2015: 20.5%). The impact of changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes have resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

5 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 the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, non-controlling interest put options, profits and losses on disposal of businesses, hedge accounting ineffectiveness and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	2016 Attributable profit £m	2015 Attributable profit £m
Profit for the year attributable to equity shareholders of the Company	**992**	869
Amortisation of intangible assets arising on acquisition (net of tax)	**21**	20
Acquisition transaction costs (net of tax)	**1**	1
Adjustment to contingent consideration on acquisition (net of tax)	**-**	3
Non-controlling interest put options (net of tax)	**1**	-
(Profit)/loss on disposal of US businesses (net of tax)	**(1)**	1
Hedge accounting ineffectiveness (net of tax)	**(10)**	(2)
Underlying attributable profit for the year from operations	**1,004**	892

AVERAGE NUMBER OF SHARES (MILLIONS OF ORDINARY SHARES)	2016 Ordinary shares of 10 5/8p each millions	2015 Ordinary shares of 10 5/8p each millions
Average number of shares for basic earnings per share	**1,643**	1,662
Dilutive share options	**3**	4
Average number of shares for diluted earnings per share	**1,646**	1,666

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5 EARNINGS PER SHARE CONTINUED

	2016 Earnings per share pence	2015 Earnings per share pence
BASIC EARNINGS PER SHARE		
From operations	**60.4**	52.3
Amortisation of intangible assets arising on acquisition (net of tax)	**1.2**	1.2
Acquisition transaction costs (net of tax)	**0.1**	0.1
Adjustment to contingent consideration on acquisition (net of tax)	**-**	0.2
Non-controlling interest put options (net of tax)	**0.1**	-
(Profit)/loss on disposal of US businesses (net of tax)	**(0.1)**	0.1
Hedge accounting ineffectiveness (net of tax)	**(0.6)**	(0.2)
From underlying operations	**61.1**	53.7
DILUTED EARNINGS PER SHARE		
From operations	**60.3**	52.2
Amortisation of intangible assets arising on acquisition (net of tax)	**1.2**	1.2
Acquisition transaction costs (net of tax)	**0.1**	0.1
Adjustment to contingent consideration on acquisition (net of tax)	**-**	0.2
Non-controlling interest put options (net of tax)	**0.1**	-
(Profit)/loss on disposal of US businesses (net of tax)	**(0.1)**	0.1
Hedge accounting ineffectiveness (net of tax)	**(0.6)**	(0.2)
From underlying operations	**61.0**	53.6

6 DIVIDENDS

A final dividend in respect of 2016 of 21.1 pence per share, £347 million in aggregate[1], has been proposed, giving a total dividend in respect of 2016 of 31.7 pence per share (2015: 29.4 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 2 February 2017 and has not been included as a liability in these financial statements.

	2016		2015	
DIVIDENDS ON ORDINARY SHARES	Dividends per share pence	£m	Dividends per share pence	£m
Amounts recognised as distributions to equity shareholders during the year:				
Final 2014 - 17.7p per share	**-**	**-**	17.7p	295
Interim 2015 - 9.8p per share	**-**	**-**	9.8p	162
Final 2015 - 19.6p per share	**19.6p**	**322**	-	-
Interim 2016 - 10.6p per share	**10.6p**	**174**	-	-
Total dividends	**30.2p**	**496**	27.5p	457

1 Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2016: 1,643 million shares.

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7 GOODWILL

During the year the Group made a number of acquisitions.

GOODWILL	£m
COST	
At 1 October 2014	4,010
Additions	25
Currency adjustment	(13)
At 30 September 2015	4,022
At 1 October 2015	**4,022**
Additions	**105**
Currency adjustment	**448**
At 30 September 2016	**4,575**
IMPAIRMENT	
At 1 October 2014	482
Disposals	2
At 30 September 2015	484
At 1 October 2015	**484**
Currency adjustment	**41**
At 30 September 2016	**525**
At 30 September 2015	3,538
At 30 September 2016	**4,050**

GOODWILL BY BUSINESS SEGMENT	2016 £m	2015[1] £m
USA	**1,619**	1,316
Canada	**156**	125
Total North America	**1,775**	1,441
UK	**1,440**	1,433
Rest of Europe	**420**	358
Total Europe	**1,860**	1,791
Japan	**172**	124
Rest of Rest of World	**243**	182
Total Rest of World	**415**	306
Total	**4,050**	3,538

1 Europe and Rest of World segments have been restated to reflect a change in the way these are managed.

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 like for like 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.

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8 OTHER INTANGIBLE ASSETS

	Computer software £m	Contract and other intangibles[1] Arising on acquisition £m	Contract and other intangibles[1] Other £m	Total £m
COST				
At 1 October 2014	232	473	973	1,678
Additions	31	-	191	222
Disposals	(3)	-	(85)	(88)
Business acquisitions	-	62	-	62
Business disposals	-	(1)	-	(1)
Reclassified	-	(1)	2	1
Currency adjustment	(6)	(12)	47	29
At 30 September 2015	254	521	1,128	1,903
At 1 October 2015	**254**	**521**	**1,128**	**1,903**
Additions	**27**	**-**	**240**	**267**
Disposals	**(10)**	**(3)**	**(82)**	**(95)**
Business acquisitions	**-**	**101**	**1**	**102**
Reclassified	**2**	**-**	**(4)**	**(2)**
Currency adjustment	**41**	**86**	**190**	**317**
At 30 September 2016	**314**	**705**	**1,473**	**2,492**
AMORTISATION				
At 1 October 2014	167	84	417	668
Charge for the year	21	26	126	173
Disposals	(2)	-	(75)	(77)
Reclassified	-	(1)	-	(1)
Currency adjustment	(2)	(6)	18	10
At 30 September 2015	184	103	486	773
At 1 October 2015	**184**	**103**	**486**	**773**
Charge for the year	**24**	**31**	**155**	**210**
Disposals	**(10)**	**(3)**	**(76)**	**(89)**
Reclassified	**-**	**-**	**(4)**	**(4)**
Currency adjustment	**28**	**21**	**84**	**133**
At 30 September 2016	**226**	**152**	**645**	**1,023**
NET BOOK VALUE				
At 30 September 2015	70	418	642	1,130
At 30 September 2016	**88**	**553**	**828**	**1,469**

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 funds these purchases. The intangible assets arising on acquisition are all contract related.

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9 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
COST				
At 1 October 2014	356	1,038	544	1,938
Additions[1]	13	171	89	273
Disposals	(21)	(104)	(40)	(165)
Business disposals - other activities	-	(1)	-	(1)
Business acquisitions	2	2	2	6
Reclassified	(1)	9	(1)	7
Currency adjustment	(10)	(15)	(29)	(54)
At 30 September 2015	339	1,100	565	2,004
At 1 October 2015	**339**	**1,100**	**565**	**2,004**
Additions[1]	**26**	**178**	**92**	**296**
Disposals	**(19)**	**(87)**	**(41)**	**(147)**
Business disposals - other activities	**-**	**(3)**	**-**	**(3)**
Business acquisitions	**-**	**3**	**1**	**4**
Reclassified	**4**	**8**	**1**	**13**
Currency adjustment	**72**	**186**	**81**	**339**
At 30 September 2016	**422**	**1,385**	**699**	**2,506**
DEPRECIATION				
At 1 October 2014	175	682	357	1,214
Charge for the year	21	118	54	193
Disposals	(18)	(92)	(35)	(145)
Business disposals - other activities	-	(1)	-	(1)
Reclassified	-	4	-	4
Currency adjustment	(1)	(7)	(17)	(25)
At 30 September 2015	177	704	359	1,240
At 1 October 2015	**177**	**704**	**359**	**1,240**
Charge for the year	**21**	**135**	**60**	**216**
Disposals	**(13)**	**(74)**	**(37)**	**(124)**
Business disposals - other activities	**-**	**(2)**	**-**	**(2)**
Reclassified	**-**	**15**	**(1)**	**14**
Currency adjustment	**35**	**121**	**53**	**209**
At 30 September 2016	**220**	**899**	**434**	**1,553**
NET BOOK VALUE				
At 30 September 2015	162	396	206	764
At 30 September 2016	**202**	**486**	**265**	**953**

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

PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASES	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 30 September 2015	6	6	1	13
At 30 September 2016	**6**	**7**	**1**	**14**

1 Includes leased assets at a net book value of £2 million (2015: £2 million).

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10 EQUITY ACCOUNTED INVESTMENTS

Significant interests in associates are:

	Country of incorporation	2016 ownership[1]	2015 ownership[1]
Twickenham Experience Limited[2]	England & Wales	16%	16%
Oval Events Limited[3]	England & Wales	25%	25%
AEG Facilities, LLC[4]	USA	49%	49%
Thompson Hospitality Services, LLC[4]	USA	49%	49%

1 % ownership is of the ordinary share capital.
2 Financial statements applied using the equity method relate to the year ended 30 June, rolled forward to 30 September.
3 Financial statements applied using the equity method relate to the year ended 31 January, rolled forward to 30 September.
4 Financial statements applied using the equity method relate to the year ended 31 December of the prior year, rolled forward to 30 September.

Significant interests in joint ventures are:

	Country of incorporation	2016 ownership[1]	2015 ownership[1]
Quadrant Catering Ltd[2]	England & Wales	**49%**	49%
ADNH-Compass Middle East LLC	United Arab Emirates	**50%**	50%
Express Support Services Limitada[2]	Angola	**49%**	49%

1 % ownership is of the ordinary share capital.
2 49% ownership 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.

These investments are structured through separate vehicles and the Group has a residual interest in their respective net assets. Accordingly, the Group has classified its interests as joint ventures which are equity accounted. The tables below reconcile the summarised financial information to the carrying amount of the Group's interests in its associates and joint ventures.

INTERESTS IN ASSOCIATES AND JOINT VENTURES	2016 £m	2015 £m
NET BOOK VALUE		
Interests in associates	**137**	122
Interests in joint ventures	**85**	81
At 30 September	**222**	203
At 1 October	**203**	189
Additions	**2**	2
Share of profits less losses (net of tax)	**39**	39
Dividends declared	**(34)**	(33)
Currency and other adjustments	**12**	6
At 30 September	**222**	203

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

ASSOCIATES AND JOINT VENTURES	2016 Associates £m	2016 Joint Ventures £m	2016 Total £m	2015 Associates £m	2015 Joint Ventures £m	2015 Total £m
SHARE OF REVENUE AND PROFITS						
Revenue	**52**	**266**	**318**	57	253	310
Expenses/taxation[1]	**(37)**	**(242)**	**(279)**	(42)	(229)	(271)
Profit after tax for the year	**15**	**24**	**39**	15	24	39
Share of net assets						
Non-current assets	**132**	**44**	**176**	121	44	165
Current assets	**69**	**134**	**203**	49	108	157
Non-current liabilities	**(7)**	**(10)**	**(17)**	(5)	(8)	(13)
Current liabilities	**(57)**	**(83)**	**(140)**	(42)	(64)	(106)
Net assets	**137**	**85**	**222**	123	80	203
SHARE OF CONTINGENT LIABILITIES						
Contingent liabilities	**-**	**(26)**	**(26)**	-	(22)	(22)

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

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11 TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES	2016 Current £m	2016 Non-current £m	2016 Total £m	2015 Current £m	2015 Non-current £m	2015 Total £m
NET BOOK VALUE						
At 1 October	**2,115**	**71**	**2,186**	2,069	70	2,139
Net movement	**124**	**12**	**136**	142	2	144
Currency adjustment	**357**	**14**	**371**	(96)	(1)	(97)
At 30 September	**2,596**	**97**	**2,693**	2,115	71	2,186
COMPRISED OF						
Trade receivables	**1,994**	**-**	**1,994**	1,627	-	1,627
Less: Provision for impairment of trade receivables	**(60)**	**-**	**(60)**	(57)	-	(57)
Net trade receivables[1]	**1,934**	**-**	**1,934**	1,570	-	1,570
Other receivables	**330**	**111**	**441**	254	80	334
Less: Provision for impairment of other receivables	**(6)**	**(22)**	**(28)**	(9)	(15)	(24)
Net other receivables	**324**	**89**	**413**	245	65	310
Accrued income	**168**	**4**	**172**	177	-	177
Prepayments	**153**	**4**	**157**	117	6	123
Amounts owed by associates, joint ventures and related parties[1]	**17**	**-**	**17**	6	-	6
Trade and other receivables	**2,596**	**97**	**2,693**	2,115	71	2,186

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 at 30 September 2016 were 41 days (2015: 42 days) on a constant currency basis.

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12 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS	2016 £m	2015 £m
Cash at bank and in hand	291	224
Short term bank deposits	55	59
Cash and cash equivalents[1]	346	283

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

CASH AND CASH EQUIVALENTS BY CURRENCY	2016 £m	2015 £m
Sterling	87	72
US Dollar	53	33
Euro	35	44
Japanese Yen	7	14
Other	164	120
Cash and cash equivalents	346	283

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:

	2016		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	444	(98)	346
Bank overdrafts	(125)	98	(27)

	2015		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	328	(45)	283
Bank overdrafts	(104)	45	(59)

13 SHORT TERM AND LONG TERM BORROWINGS

	2016			2015		
SHORT TERM AND LONG TERM BORROWINGS	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	27	-	27	59	-	59
Bank loans	255	287	542	78	251	329
Loan notes	35	1,525	1,560	107	1,330	1,437
Bonds	-	1,253	1,253	-	1,093	1,093
Borrowings (excluding finance leases)	317	3,065	3,382	244	2,674	2,918
Finance leases	4	10	14	3	10	13
Borrowings (including finance leases)[1]	321	3,075	3,396	247	2,684	2,931

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

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13 SHORT TERM AND LONG TERM BORROWINGS CONTINUED

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	2016 Carrying value £m	2015 Carrying value £m
US$ private placement	$162m	Oct 2015	6.72%	-	107
Sterling private placement	£35m	Oct 2016	7.55%	35	36
US$ private placement	$250m	Oct 2018	3.31%	196	170
US$ private placement	$200m	Sep 2020	3.09%	154	132
US$ private placement	$398m	Oct 2021	3.98%	306	262
US$ private placement	$352m	Oct 2023	4.12%	301	250
US$ private placement	$100m	Dec 2024	3.54%	107	66
US$ private placement	$300m	Sep 2025	3.81%	231	216
US$ private placement	$300m	Dec 2026	3.64%	230	198
				1,560	1,437

BONDS	Nominal value	Redeemable	Interest	2016 Carrying value £m	2015 Carrying value £m
Euro Eurobond	€600m	Feb 2019	3.13%	537	458
Euro Eurobond	€500m	Jan 2023	1.88%	469	386
Sterling Eurobond	£250m	Jun 2026	3.85%	247	249
				1,253	1,093

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

MATURITY PROFILE OF BORROWINGS (EXCLUDING FINANCE LEASES)	2016 £m	2015 £m
Within 1 year, or on demand	317	244
Between 1 and 2 years	287	287
Between 2 and 3 years	733	-
Between 3 and 4 years	154	628
Between 4 and 5 years	-	132
In more than 5 years	1,891	1,627
Borrowings (excluding finance leases)	3,382	2,918

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:

CARRYING VALUE AND FAIR VALUE OF BORROWINGS (EXCLUDING FINANCE LEASES)	2016 Carrying value £m	2016 Fair value £m	2015 Carrying value £m	2015 Fair value £m
Bank overdrafts	27	27	59	59
Bank loans	542	542	329	329
Loan notes	1,560	1,601	1,437	1,456
€600m Eurobond Feb 2019	537	557	458	478
€500m Eurobond Jan 2023	469	475	386	379
£250m Eurobond Jun 2026	247	300	249	269
Bonds	1,253	1,332	1,093	1,126
Borrowings (excluding finance leases)	3,382	3,502	2,918	2,970

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13 SHORT TERM AND LONG TERM BORROWINGS CONTINUED

GROSS AND PRESENT VALUE OF FINANCE LEASE LIABILITIES	2016 Gross £m	2016 Present value £m	2015 Gross £m	2015 Present value £m
Finance lease payments falling due:				
Within 1 year	**5**	**4**	4	3
In 2 to 5 years	**9**	**9**	7	7
In more than 5 years	**1**	**1**	3	3
	15	**14**	14	13
Less: Future finance charges	**(1)**	**-**	(1)	-
Gross and present value of finance lease liabilities	**14**	**14**	13	13

BORROWINGS BY CURRENCY	2016 Borrowings £m	2016 Finance leases £m	2016 Total £m	2015 Borrowings £m	2015 Finance leases £m	2015 Total £m
Sterling	**534**	**-**	**534**	584	-	584
US Dollar	**1,813**	**-**	**1,813**	1,441	-	1,441
Euro	**1,013**	**10**	**1,023**	853	11	864
Other	**22**	**4**	**26**	40	2	42
Total	**3,382**	**14**	**3,396**	2,918	13	2,931

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

Undrawn committed facilities	2016 £m	2015 £m
Expiring between 1 and 5 years	**1,000**	1,000

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14 TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	2016 Current £m	2016 Non-current £m	2016 Total £m	2015 Current £m	2015 Non-current £m	2015 Total £m
NET BOOK VALUE						
At 1 October	**3,157**	**84**	**3,241**	3,077	78	3,155
Net movement	**185**	**(13)**	**172**	149	12	161
Reclassification	**-**	**-**	**-**	1	(2)	(1)
Currency adjustment	**509**	**15**	**524**	(70)	(4)	(74)
At 30 September	**3,851**	**86**	**3,937**	3,157	84	3,241
COMPRISED OF						
Trade payables	**1,707**	**-**	**1,707**	1,400	-	1,400
Social security and other taxes	**343**	**-**	**343**	273	-	273
Other payables	**172**	**32**	**204**	155	28	183
Deferred consideration on acquisitions[1]	**29**	**17**	**46**	16	28	44
Accruals[2]	**1,214**	**37**	**1,251**	1,027	28	1,055
Deferred income	**380**	**-**	**380**	286	-	286
Capital creditors	**6**	**-**	**6**	-	-	-
Trade and other payables	**3,851**	**86**	**3,937**	3,157	84	3,241

1 Categorised as 'other financial liabilities' (IAS 39).
2 Of this balance £577 million (2015: £415 million) is categorised as 'other financial liabilities' (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 at 30 September 2016 were 75 days (2015: 74 days) on a constant currency basis.

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15 PROVISIONS

PROVISIONS	Workers' compensation and similar obligations £m	Provisions in respect of discontinued and disposed businesses £m	Onerous contracts £m	Legal and other claims £m	Reorganisation £m	Other £m	Total £m
At 1 October 2014	232	46	29	64	36	31	438
Reclassified [1]	-	-	(1)	1	(1)	-	(1)
Expenditure in the year [2]	(54)	(1)	(11)	(15)	(20)	(6)	(107)
Charged to income statement [2]	58	-	9	17	7	2	93
Credited to income statement	(12)	-	(6)	(16)	(4)	(4)	(42)
Business disposals	-	-	-	-	(2)	-	(2)
Unwinding of discount on provisions	5	-	1	-	-	-	6
Currency adjustment	13	-	(1)	(7)	(2)	(1)	2
At 30 September 2015	242	45	20	44	14	22	387
At 1 October 2015	**242**	**45**	**20**	**44**	**14**	**22**	**387**
Expenditure in the year	**(48)**	**(1)**	**(9)**	**(9)**	**(5)**	**(7)**	**(79)**
Charged to income statement	**53**	**3**	**4**	**2**	**9**	**5**	**76**
Credited to income statement	**(8)**	**-**	**(2)**	**(2)**	**(4)**	**-**	**(16)**
Business acquisitions	**-**	**-**	**-**	**2**	**-**	**-**	**2**
Business disposals	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Unwinding of discount on provisions	**4**	**-**	**1**	**-**	**-**	**-**	**5**
Currency adjustment	**35**	**-**	**1**	**7**	**3**	**3**	**49**
At 30 September 2016	**278**	**47**	**15**	**44**	**16**	**23**	**423**

1 Including items reclassified between accrued liabilities and other balance sheet captions.
2 2015 has been restated reflecting a split in workers' compensation charged and paid.

PROVISIONS	**2016 £m**	2015 £m
Current	**143**	136
Non-current	**280**	251
Total provisions	**423**	387

The provision for workers' compensation and similar obligations relates mainly to the potential settlement of claims by employees in the US for medical benefits and lost wages associated with injuries incurred in the course of their employment, 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 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 reorganisation include provision for redundancy costs and these are expected to be utilised over the next year.

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 discount rate applicable to the liability.

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16 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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 2% to 39% of pensionable salaries.

The contributions payable for defined contribution schemes of £100 million (2015: £84 million) have been fully expensed against profits in the current year.

Disclosures showing the assets and liabilities of the schemes are set out below.

	2016			
POST-EMPLOYMENT BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET	UK £m	USA £m	Other £m	Total £m
Present value of defined benefit obligations	**2,431**	**504**	**198**	**3,133**
Fair value of plan assets	**(2,623)**	**(392)**	**(97)**	**(3,112)**
Post-employment benefit obligations recognised in the balance sheet	**(192)**	**112**	**101**	**21**

	2015			
POST-EMPLOYMENT BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET	UK £m	USA £m	Other £m	Total £m
Present value of defined benefit obligations	1,966	404	161	2,531
Fair value of plan assets	(2,137)	(300)	(85)	(2,522)
Post-employment benefit obligations recognised in the balance sheet	(171)	104	76	9

17 SHARE CAPITAL

	2016		2015	
ALLOTTED SHARE CAPITAL	Number of shares	£m	Number of shares	£m
Allotted and fully paid:				
New Ordinary shares of $10^{5/8}$p each 4	**1,654,666,459**	**176**	1,656,777,382	176
At 1 October		**176**		178
Ordinary and New Ordinary shares allotted during the year		**-**		-
Repurchase of Ordinary and New Ordinary shares		**-**		(2)
At 30 September		**176**		176

18 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.

19 BUSINESS COMBINATIONS

The Group has completed a number of infill acquisitions in several countries for a total consideration of £186 million, of which £155 million was paid in the year. In addition, the Group paid a further £30 million deferred consideration relating to prior years.

Acquisition transaction costs expensed in the year to 30 September 2016 were £2 million (2015: £2 million).

In the period from acquisition to 30 September 2016, the acquisitions contributed revenue of £129 million and operating profit of £8 million to the Group's results.

If the acquisitions had occurred on 1 October 2015, it is estimated that the combined sales of Group and equity accounted joint ventures for the period would have been £19,947 million and total Group operating profit (including associates) would have been £1,410 million.

20 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS	**2016 £m**	2015 £m
Operating profit from operations	**1,370**	1,222
Adjustments for:		
Acquisition transaction costs	**2**	2
Amortisation of intangible assets	**179**	147
Amortisation of intangible assets arising on acquisition	**31**	26
Share-based payments expense - non-controlling interest call option	**1**	-
Depreciation of property, plant and equipment	**216**	193
(Profit)/loss on disposal of property, plant and equipment/intangible assets	**(1)**	3
Decrease in provisions	**(19)**	(56)
Decrease in post-employment benefit obligations	**(39)**	(59)
Share-based payments - charged to profits	**16**	15
Operating cash flows before movement in working capital	**1,756**	1,493
Increase in inventories	**(13)**	(17)
Increase in receivables	**(93)**	(128)
Increase in payables	**118**	128
Cash generated by operations	**1,768**	1,476

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21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

		Gross debt						
NET DEBT	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Total gross debt £m	Net debt £m
At 1 October 2014	408	(37)	(2,786)	(2,823)	(17)	61	(2,779)	(2,371)
Net decrease in cash and cash equivalents	(103)	-	-	-	-	-	-	(103)
Cash inflow from issue of bonds	-	-	(259)	(259)	-	-	(259)	(259)
Cash outflow from repayment of loan notes	-	-	250	250	-	-	250	250
Cash inflow from other changes in gross debt	-	(21)	(15)	(36)	-	(39)	(75)	(75)
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	(22)	(1)	(22)	(23)	1	(2)	(24)	(46)
Reclassification	-	-	-	-	-	-	-	-
Other non-cash movements	-	-	(27)	(27)	-	25	(2)	(2)
At 30 September 2015	283	(59)	(2,859)	(2,918)	(13)	45	(2,886)	(2,603)
At 1 October 2015	**283**	**(59)**	**(2,859)**	**(2,918)**	**(13)**	**45**	**(2,886)**	**(2,603)**
Net increase in cash and cash equivalents	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
Cash outflow from repayment of bank loans	**-**	**-**	**195**	**195**	**-**	**-**	**195**	**195**
Cash outflow from repayment of loan notes	**-**	**-**	**114**	**114**	**-**	**-**	**114**	**114**
Cash inflow/(outflow) from other changes in gross debt	**-**	**42**	**(378)**	**(336)**	**-**	**142**	**(194)**	**(194)**
Cash outflow from repayment of obligations under finance leases	**-**	**-**	**-**	**-**	**3**	**-**	**3**	**3**
Increase in net debt as a result of new finance leases taken out	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**(2)**
Currency translation gains/(losses)	**53**	**(10)**	**(402)**	**(412)**	**(2)**	**(34)**	**(448)**	**(395)**
Other non-cash movements	**-**	**-**	**(25)**	**(25)**	**-**	**23**	**(2)**	**(2)**
At 30 September 2016	**346**	**(27)**	**(3,355)**	**(3,382)**	**(14)**	**176**	**(3,220)**	**(2,874)**

Other non-cash movements are comprised as follows:

OTHER NON-CASH MOVEMENTS IN NET DEBT	**2016 £m**	2015 £m
Amortisation of fees and discount on issuance	**(1)**	(1)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**(24)**	(26)
Bank and other borrowings	**(25)**	(27)
Changes in the value of derivative financial instruments including accrued income	**23**	25
Other non-cash movements	**(2)**	(2)

22 CONTINGENT LIABILITIES

PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES	**2016 £m**	2015 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings) [1]	**366**	349

1 Excludes bonds, guarantees and indemnities in respect of self-insure liabilities, post-employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 23.

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23 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:

	2016			2015		
	Operating leases			Operating leases		
OPERATING LEASE AND CONCESSIONS COMMITMENTS	Land and buildings £m	Other assets £m	Other occupancy rentals £m	Land and buildings £m	Other assets £m	Other occupancy rentals £m
Falling due within 1 year	**59**	**68**	**74**	51	52	51
Falling due between 2 and 5 years	**154**	**114**	**117**	136	75	84
Falling due in more than 5 years	**108**	**14**	**69**	72	9	55
Total	**321**	**196**	**260**	259	136	190

24 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

25 EXCHANGE RATES

	2016	2015
AVERAGE EXCHANGE RATE FOR THE YEAR[1]		
Australian Dollar	**1.94**	1.98
Brazilian Real	**5.19**	4.66
Canadian Dollar	**1.88**	1.90
Euro	**1.28**	1.35
Japanese Yen	**159.94**	184.31
Norwegian Krone	**12.01**	11.82
South African Rand	**20.88**	18.60
Swedish Krona	**12.00**	12.58
Swiss Franc	**1.40**	1.48
Turkish Lira	**4.16**	3.96
UAE Dirham	**5.22**	5.69
US Dollar	**1.42**	1.55
CLOSING EXCHANGE RATE AS AT 30 SEPTEMBER[1]		
Australian Dollar	**1.70**	2.16
Brazilian Real	**4.22**	6.03
Canadian Dollar	**1.71**	2.03
Euro	**1.16**	1.36
Japanese Yen	**131.54**	181.42
Norwegian Krone	**10.38**	12.92
South African Rand	**17.86**	20.94
Swedish Krona	**11.13**	12.70
Swiss Franc	**1.26**	1.48
Turkish Lira	**3.90**	4.59
UAE Dirham	**4.77**	5.56
US Dollar	**1.30**	1.51

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.

Glossary of terms

Constant currency	Restates the prior year results to current year's average exchange rates.
Underlying revenue	The combined sales of Group and share of equity accounted joint ventures.
Underlying operating profit - Group	Includes share of profit after tax of associates and profit before tax of joint ventures but excludes the specific adjusting items, as listed below.
Underlying operating profit - Region	Includes share of profit before tax of joint ventures but excludes the specific adjusting items, as listed below, profit after tax of associates and EM & OR restructuring.
Underlying operating margin - Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin - Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying net finance cost	Excludes specific adjusting items.
Underlying profit before tax	Excludes specific adjusting items.
Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back depreciation and amortisation.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying tax	Excludes tax attributable to specific adjusting items.
Underlying cash tax	Tax payments made in respect of underlying tax.
Underlying cash tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Adjusted for cash restructuring costs in the year relating to the 2012 and 2013 European exceptional programme.
Underlying gross capex	Includes Group and share of equity account joint ventures' capex spend.
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the current year's underlying revenue.
Organic operating profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the current year's underlying operating profit.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Specific adjusting items	amortisation of intangibles arising on acquisition; acquisition transaction costs; adjustment to contingent consideration on acquisition; share-based payments expense – non-controlling interest call option; tax on share of joint ventures; profit/(loss) on disposal of US businesses; other financing items.
EM & OR restructuring	Emerging Markets and Offshore & Remote restructuring.
ROCE	ROCE divides the net operating profit after tax (NOPAT) by the 12 month average capital employed.
NOPAT	Calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Capital employed	Based on the 12 month average net assets adjusted for net debt, post-employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Net debt	Overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.