



Full year results announcement for the year ended 30 September 2022

	Underlying ¹ results			Statutory results		
	2022	2021	Change	2022	2021	Change
Revenue	£25.8bn	£18.7bn ²	37.5% ³	£25.5bn	£17.9bn	42.5%
Operating profit	£1,590m	£848m ²	87.5% ²	£1,500m	£545m	175.2%
Operating margin	6.2%	4.5%	170bps	5.9%	3.0%	290bps
Earnings per share	63.0p	30.9p ²	103.9% ²	62.6p	20.0p	213.0%
Operating cash flow	£1,351m	£1,004m	34.6%	£1,596m	£1,171m	36.3%
Free cash flow	£890m	£660m	34.8%			
Annual dividend per share	31.5p	14.0p	125.0%	31.5p	14.0p	125.0%

***Record net new business which accelerated through the year
Further £250m share buyback in H1 2023, taking total programme to £750m***

Performance highlights

- Strong organic revenue growth of 37.5%. In Q4 2022, Group was at 116% of 2019 revenues with Business & Industry at 106%
- Underlying operating margin improved by 170bps year on year to 6.2%, with H2 2022 at 6.5%
- Excellent net new business of 7.5% (5.7% rebased to 2019, above historical rate of 3%)
- Client retention rate up by 100bps year on year to a new record of 96.4%
- New business wins increased to £2.5bn⁴, with strong contributions from North America and Europe
- First-time outsourcing market remains buoyant, accounting for c.45% of new business wins
- Investing in the business: Capex 2.7% of underlying revenue and net M&A expenditure of £268m
- Leverage of 1.3x net debt/EBITDA, within our target range of 1x-1.5x

Strategy

- Continuing to capitalise on the significant structural growth opportunities and the acceleration of outsourcing
- Ongoing investment in our market-leading digital and ESG capabilities
- Successfully issued first sustainable bonds to help deliver climate net zero by 2050

Shareholder returns

- Annual dividend per share increased to 31.5p
- Completed initial £500m share buyback, further £250m announced today to be completed in H1 2023

2023 outlook

- Constant-currency underlying operating profit growth expected to be above 20%, delivered through:
 - Organic revenue growth of around 15%, weighted towards H1 2023
 - Underlying operating margin above 6.5%

Statutory results

- Statutory revenue increased by 42.5%
- Statutory operating profit up by 175.2%. The prior year included £157m of COVID-19 resizing costs

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 13 (non-GAAP measures) to the consolidated financial statements.
2. Measured on a constant-currency basis.
3. Organic revenue change.
4. Annual revenue of new business wins in the last 12 months.

Business review

Dominic Blakemore, Group Chief Executive, said:

“The Group’s performance surpassed our expectations both in terms of net new business growth and base volume recovery, with Business & Industry now operating above its pre-pandemic revenues. The strong growth trends seen in the first half have continued, with net new business accelerating through the year in all our regions. Our clients are continuing to face operational complexities and inflationary pressures, which are driving increased outsourcing, and we are successfully capitalising on the resulting growth opportunities.

North America continues to perform strongly, and we are particularly pleased with our progress in Europe, which is benefiting from an increased focus on growth and retention, supported by investments in our people, brands, and processes.

Thanks to the hard work of our teams across the world, Compass has emerged from the pandemic as a stronger and more resilient business, reflecting our clear strategy and market-leading growth enablers. While the macroeconomic environment is uncertain, we are working in partnership with our clients to mitigate inflationary pressures and supporting our colleagues during this challenging period by offering financial support and other benefits.

For 2023, we expect underlying operating profit growth to be above 20% on a constant-currency basis, to be delivered through organic revenue growth of around 15%, weighted towards the first half of the year, and underlying operating margin above 6.5%. Having completed the previously announced share buyback of £500m, we have announced a further share buyback of up to £250m, taking the total to £750m.

Looking further ahead, we remain excited about the significant structural growth opportunities globally, leading to the potential for revenue and profit growth above historical rates, returning margin to pre-pandemic levels and rewarding shareholders with further returns.”

Results presentation today

A recording of the results presentation for investors and analysts will be available on the Company’s website today, Monday 21 November 2022, at 7.00 a.m. There will be a live question and answer session at 9.00 a.m., accessible via the Company’s website, www.compass-group.com, and you will be able to participate by dialing:

UK Toll Number: +44 (0) 33 0551 0200
 UK Toll-Free Number: 0808 109 0700

US Toll Number: +1 212 999 6659
 US Toll-Free Number: 1 866 966 5335

Participant PIN Code: Compass

Please connect to the call at least 10-15 minutes prior to the start time.

Financial calendar

Ex-dividend date for 2022 final dividend	Thursday 19 January 2023
Record date for 2022 final dividend	Friday 20 January 2023
Q1 Trading Update / Annual General Meeting	Thursday 9 February 2023
Last day for DRIP elections	Thursday 9 February 2023
2022 final dividend date for payment	Thursday 2 March 2023
Half-year results	Wednesday 10 May 2023

Enquiries

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Business review (continued)

Basis of preparation

Throughout this Annual Results Announcement, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance alongside statutory measures.

The Executive Committee manages and assesses the performance of the Group using various underlying and other Alternative Performance Measures (APMs). These measures are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP) and may not be directly comparable with APMs used by other companies. Underlying measures reflect ongoing trading and, therefore, facilitate meaningful year-on-year comparison. Management believes that the Group's underlying and alternative performance measures, together with the results prepared in accordance with IFRS, provide comprehensive analysis of the Group's results. Certain of these measures are financial Key Performance Indicators (KPIs) which measure progress against our strategy.

The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

Group performance

Organic growth was 37.5%¹ with underlying revenue, on a constant-currency basis, 105% of its 2019 level². Underlying operating margin increased by 170bps to 6.2%¹ (2021: 4.5%) despite mobilisation costs associated with the higher new business growth and inflationary pressures. As a result, underlying operating profit increased to £1,590m¹ (2021: £811m).

We are continuing to invest in exciting growth opportunities both through capital expenditure and M&A. Capital expenditure was 2.7%¹ of underlying revenue, lower than historic levels due to timing delays in some investments. Going forward, we continue to expect capital expenditure to be around 3.5%¹ of underlying revenue.

Net M&A expenditure in the year was £268m, which was largely spent on a number of bolt-on acquisitions mainly in the US. Following the year end, in October 2022, the Group also divested of four Central and Eastern European businesses in Czech Republic, Hungary, Slovakia and Romania.

The Group generated a strong underlying operating cash flow of £1,351m¹ (2021: £1,004m) which represented a conversion rate of 85%¹, back in line with our typical pre-COVID level. Underlying free cash flow was £890m¹ (2021: £660m), with a conversion rate of 56%¹. As a result of improving profit, leverage reduced to 1.3x¹, well within our target range of 1x-1.5x.

Revenue

Organic growth of 37.5%¹ reflected the reopening of sectors, with like-for-like volume growth of approximately 24%, the strong impact of winning and retaining business, with net new business of 7.5%, and pricing benefits of approximately 6%. Client retention rates continued to improve to a record 96.4%, 100bps higher than 2021, with underlying revenue growth from new business wins at 11.1%. The post-pandemic recovery accelerated in the fourth quarter of the prior year, particularly in Sports & Leisure and Education and, consequently, the percentage growth in the fourth quarter of this year is lower.

Organic revenue growth ¹	Q1	Q2	Q3	Q4	FY
Business & Industry	26.9%	40.5%	59.9%	57.3%	47.4%
Education	51.6%	47.9%	41.4%	26.6%	41.3%
Healthcare & Senior Living	11.6%	10.3%	12.0%	11.4%	11.2%
Sports & Leisure	343.8%	228.3%	142.7%	37.3%	126.5%
Defence, Offshore & Remote	8.7%	6.8%	10.5%	11.3%	9.5%
Group	38.6%	37.0%	43.4%	31.2%	37.5%

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

2. Throughout this Report, underlying revenue as a percentage of 2019 is calculated on a constant-currency basis.

Business review (continued)

For the full year, underlying revenue increased to 105% of 2019 revenues, reaching 116% in the fourth quarter. All sectors and regions traded above pre-pandemic levels during the second half of 2022, with Business & Industry seeing a notable improvement as employees returned to work, exiting the year at 106% of its pre-pandemic level. Education and Sports & Leisure also performed particularly well, increasing to 117% and 125% of 2019 revenues, respectively, in the fourth quarter.

Underlying revenue ¹ as % of 2019 ²	Q1	Q2	Q3	Q4	FY
Business & Industry	76.6%	82.9%	96.8%	106.1%	90.9%
Education	101.2%	107.3%	110.3%	117.5%	108.1%
Healthcare & Senior Living	114.6%	116.3%	120.4%	123.9%	118.8%
Sports & Leisure	107.3%	93.8%	118.8%	125.0%	112.1%
Defence, Offshore & Remote	116.6%	115.3%	121.5%	120.4%	118.6%
Group	96.9%	99.2%	109.5%	115.9%	105.4%

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.
2. Throughout this Report, underlying revenue as a percentage of 2019 is calculated on a constant-currency basis.

On a statutory basis, revenue increased by 43% to £25,512m (2021: £17,908m).

Operating profit

Underlying operating profit increased by 88% on a constant-currency basis, to £1,590m¹, and our underlying operating margin was 6.2%¹ (2021: 4.5%). The margin improvement reflects the ongoing cost efficiency disciplines of the business and is despite the mobilisation costs and inflationary pressures.

Statutory operating profit was £1,500m (2021: £545m), an increase of 175% reflecting the higher revenue and margin recovery. Statutory operating profit includes non-underlying item charges of £90m (2021: £266m), including acquisition-related costs of £92m (2021: £106m). Non-underlying items in the prior year also included COVID-19 resizing costs of £157m. A full list of non-underlying items is included in note 13 (non-GAAP measures).

Capital allocation

Our capital allocation framework is clear and unchanged. Our priority is to invest in the business to fund growth opportunities, target a strong investment-grade credit rating with a leverage target of around 1x-1.5x net debt to EBITDA and pay an ordinary dividend, with any surplus capital being returned to shareholders.

Growth investment consists of: (i) capital expenditure to support organic growth in both new business wins and retention of existing contracts; and (ii) bolt-on M&A opportunities that strengthen our capabilities and broaden our exposure. We have a proven track record of strong returns from our investment strategy evidenced by our historical returns on capital employed.

Shareholder returns

Our dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend. The Board has proposed a final dividend of 22.1p which, including the interim dividend of 9.4p, gives a total dividend for 2022 of 31.5p.

The £500m share buyback programme announced in May 2022 was completed in November 2022. We have announced a further share buyback of up to £250m, to take place during the first half of the 2023 financial year, taking the total buyback to £750m.

Business review (continued)

Regional performance

North America – 66.5% of Group underlying revenue (2021: 61.6%)

Regional financial summary	Underlying results ¹		Change ¹			Statutory results		Change
	2022	2021	Reported rates	Constant currency	Organic	2022	2021	Reported rates
Revenue	£17,139m	£11,170m	53.4%	43.7%	44.1%	£17,121m	£11,149m	53.6%
Operating profit ²	£1,236m	£607m	103.6%	91.0%	92.1%	£1,183m	£560m	111.3%
Operating margin	7.2%	5.4%	180bps			6.9%	5.0%	190bps

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) and note 13 (non-GAAP measures) to the consolidated financial statements.
2. 2021 re-presented to reflect the change in the definition of regional underlying operating profit to include the share of results of associates (£1m loss).

Underlying

Full-year organic revenue growth was 44%, with revenue at 109% of 2019 levels, and 119% in the fourth quarter. Net new business growth was 9.0% reflecting both strong new business wins and continued high retention at 97.1%. Growth was broad based across all sectors, with strong wins from first-time outsourcing.

Our Business & Industry sector, along with Sports & Leisure, benefited from continued volume recovery throughout the year, reflecting the return to the office and live events, together with higher per capita spend. Both sectors delivered strong double-digit net new business growth. Our Education sector, despite lapping strong reopening numbers last year, continued to rebuild volumes during the year and the resilient Healthcare & Senior Living business continued to perform strongly.

Volume growth, combined with our continued focus on efficiency and cost control, delivered margin progression throughout the year. Full-year margin increased by 180bps to 7.2%, with margin in the second half of the year improving by 40bps to 7.4%. Operating profit was £1,236m, which represents 91% growth on a constant-currency basis.

Statutory

Statutory revenue increased by 54% to £17,121m reflecting the continued recovery from the pandemic and favourable exchange translation.

Statutory operating profit was £1,183m, a £623m increase, due to the stronger revenue, improved margin and favourable exchange translation.

Business review (continued)

Europe – 23.0% of Group underlying revenue (2021: 25.6%)

Regional financial summary	Underlying results ¹		Change ¹			Statutory results		Change
	2022	2021	Reported rates	Constant currency	Organic	2022	2021	Reported rates
Revenue	£5,935m	£4,641m	27.9%	32.3%	31.8%	£5,694m	£4,434m	28.4%
Operating profit/(loss)	£299m	£147m	103.4%	112.1%	112.1%	£267m	£(62)m	530.6%
Operating margin	5.0%	3.2%	180bps			4.7%	(1.4)%	610bps

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) and note 13 (non-GAAP measures) to the consolidated financial statements.

Underlying

Organic revenue grew by 32%, with net new business growth of 5.6%, driven by double-digit new business and a 160bps improvement in retention to 95.3%. Encouragingly, net new business growth accelerated in the second half of 2022 driven by improving trends in the UK, France and Germany. Overall, revenue for the year was 98% of 2019 levels, and 109% in the fourth quarter, reflecting the recovery in Business & Industry and Sports & Leisure.

With good volume recovery and higher growth, operating profit more than doubled to £299m, with margin increasing by 180bps to 5.0%. Despite the progressively challenging macroeconomic environment and increased new business mobilisation, margin increased by 100bps between the first and second half of the year to 5.5%.

The region invested in several bolt-on acquisitions to enhance their offer, especially in the Sports & Leisure sector, and to drive procurement efficiencies. In March, the Group exited Russia and, following the year end, divested of four businesses in Central and Eastern Europe.

Statutory

Statutory revenue was £5,694m, with the difference from underlying revenue being the presentation of the share of results of our joint ventures operating in the Middle East.

The statutory operating profit of £267m represents a £329m improvement on 2021 reflecting the improved trading performance and higher non-underlying charges in relation to acquisition and resizing activity in the prior year.

Business review (continued)

Rest of World – 10.5% of Group underlying revenue (2021: 12.8%)

Regional financial summary	Underlying results ¹		Change ¹			Statutory results		Change
	2022	2021	Reported rates	Constant currency	Organic	2022	2021	Reported rates
Revenue	£2,697m	£2,325m	16.0%	15.4%	14.8%	£2,697m	£2,325m	16.0%
Operating profit	£141m	£130m	8.5%	6.0%	5.4%	£137m	£120m	14.2%
Operating margin	5.2%	5.6%	(40)bps			5.1%	5.2%	(10)bps

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) and note 13 (non-GAAP measures) to the consolidated financial statements.

Underlying

The 15% organic revenue increase in our Rest of World region reflects net new business growth of 3.6% and double-digit like-for-like volume growth, driven by good levels of pricing, especially in Latin America. Retention improved to 94.5% and revenues were 100% of 2019 levels, with the fourth quarter at 113%. With a higher exposure to the more defensive sectors of Healthcare and Defence, Offshore & Remote, the region had lower volume recovery as it was less impacted by the pandemic.

During the year, several large markets continued with localised lockdowns and border closures which increased operational challenges and wage inflation. As a result, whilst operating profit was £141m, an increase of 6% on a constant-currency basis, operating margin declined by 40bps to 5.2% for the full year, reflecting these challenges. However, in the second half, margin was 5.6%, a 90bps improvement on the first half of the year.

Statutory

Statutory revenue increased by 16% to £2,697m. There is no difference between statutory and underlying revenue.

Statutory operating profit was £137m, an increase of £17m reflecting the improved trading performance and £8m of COVID-19 resizing costs in the prior year.

Business review (continued)

Strategy

Our strategic focus is on food, with targeted support services. The addressable food services market is estimated to be worth at least £220bn. There remains a significant structural growth opportunity from first-time outsourcing, as around half of the market is still self-operated. As the operating environment becomes increasingly challenging due to inflationary pressures, increased client demands and other additional complexities, we have a clear strategy to capture the resultant acceleration in first-time outsourcing based on our focus, scale and expertise.

Being the largest global player, our scale in procurement and focus on cost efficiencies give us competitive advantages that translate into greater value for clients and consumers. Our sectorised and sub-sectorised approach enables us to provide a tailored offer to meet changing client requirements. We are continuing to invest in our market-leading propositions in digital and ESG which are clear growth enablers in the food services market.

Our strategic focus on People, Performance and Purpose continues to underpin all that we do in our ambition to deliver value to all our stakeholders.

People

Our people are essential to our strategy for growth: they are at the heart of how we win and why we win, and their health and safety are always our number one priority. We have continued to deliver our core development training programmes, Mapping for Value and Mapping for Action, to reinforce our use of the MAP framework within our leadership and operational teams, respectively. Around 4,000 employees have now completed Mapping for Value and more than 14,000 employees have participated in Mapping for Action.

As part of our commitment to ensure inclusion for all, we endeavour to harness the talents of our diverse workforce across every level of the organisation. Work has continued at pace on developing, retaining and promoting our female talent. In the UK & Ireland, 58% of all promotions during the year were female with approximately 13% of the workforce promoted. 53% of promotions of salaried staff in the USA were female. This focus has supported the increase in female representation at Senior Leaders level to 37%.

We prioritise the health and wellbeing of our people and are sensitive to the current economic environment that is putting significant pressure on colleagues' household budgets. In line with our values and within the parameters of our decentralised operating model, this support is delivered through tailored programmes in each of our markets, including communicating financial wellbeing guidance and extending our community food donation scheme to include hot meals. In North America, Compass provides flexibility through a digital HR tool and same day pay, which benefits 15,000 colleagues. Our UK&I business, which is already an accredited Real Living Wage provider, provides approximately 200,000 free meals for colleagues every week and access to a 'Helping Hands' fund to provide support with emergency or unexpected payments.

Purpose

Our Planet Promise is Compass Group's global commitment to a sustainable future for all. It encompasses the Company's values as an ethical, sustainable and inclusive business, together with our ambition to positively impact the world. As well as being the right thing to do, this mission is also key to our growth aspirations. Sustainability is a critical issue for many of Compass' clients.

We were the first in the industry to publish a worldwide commitment to reach climate net zero by 2050. In July 2022, the Group launched a Sustainable Financing Framework to issue sustainable debt. Sustainable financing aligns with the expectations of our clients and shareholders and supports our worldwide carbon reduction commitment and social mobility initiatives. Under this framework, in September 2022, we successfully issued two sustainable bonds, raising proceeds of €500m (£439m) and £250m, respectively, which will be used to progress the Group's sustainability initiatives and the delivery of its global climate net zero target.

One of the most impactful ways to prevent climate change is to reduce food waste. To better understand and mitigate our businesses' food waste footprint, Compass is expanding the use of smart meter technology across our global operations while working in partnership with clients and suppliers to halve food waste by 2030. As well as working to incentivise our workforce to fight food waste, we highlight our progress through visible awareness-raising initiatives, such as Stop Food Waste Day in over 40 countries.

Business review (continued)

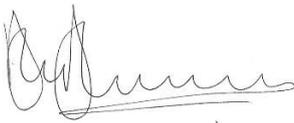
Summary

The Group performed strongly both in terms of revenue growth and margin improvement, with underlying operating profit nearly doubling to £1.6bn¹. Revenue in all sectors and regions exceeded their pre-COVID levels in the second half, with Business & Industry recovering particularly well. Organic revenue growth was strong as the Group benefited from good volume recovery and excellent levels of net new business. Underlying operating margin also grew strongly to 6.2%¹ despite mobilising high levels of new business.

While there are global inflationary pressures and macroeconomic uncertainties, we have a resilient and flexible business model to help mitigate these challenges. This environment, alongside increasing operational complexities, is continuing to lead to an acceleration in first-time outsourcing as organisations seek cost savings and an improved food offer. We have a clear strategy to capture this growth opportunity based on our scale, expertise and sectorised market approach, which has resulted in new business wins of £2.5bn² and our highest ever client retention rate of 96.4%.

Our disciplined capital allocation framework supports growth whilst ensuring a robust balance sheet, rewarding shareholders through dividends and additional shareholder returns. In 2022, we declared a total dividend of 31.5p per share and returned £500m to shareholders via a share buyback programme.

Looking further ahead, we remain excited about the significant structural growth opportunities globally, leading to the potential for revenue and profit growth above historical rates, returning margin to pre-pandemic levels and rewarding shareholders with further returns.



Dominic Blakemore

Group Chief Executive Officer

21 November 2022

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.
2. Annual revenue of new business wins in the last 12 months.

Financial results

Group performance

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The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

Underlying results¹

- Underlying revenue at 105% of 2019 revenues on a constant-currency basis, with all regions and sectors operating above 2019 levels in the second half
- Underlying operating margin of 6.2%, an increase of 170bps
- Return on capital employed of 15.8%, up from 8.7%² in 2021
- Basic underlying earnings per share increased by 104% to 63.0p on a constant-currency basis
- Underlying free cash flow of £890m, with cash conversion of 56%

Statutory results

- Revenue increased by 43%
- Operating profit of £1,500m, an increase of 175%
- Basic earnings per share of 62.6p, an increase of 213%

	2022 £m	2021 £m	Change
Revenue			
Underlying – reported rates ¹	25,771	18,136	42.1%
Underlying – constant currency ¹	25,771	18,745	37.5%
Organic ¹	25,599	18,617	37.5%
Statutory	25,512	17,908	42.5%
Operating profit			
Underlying – reported rates ¹	1,590	811	96.1%
Underlying – constant currency ¹	1,590	848	87.5%
Organic ¹	1,585	841	88.5%
Statutory	1,500	545	175.2%
Operating margin			
Underlying – reported rates ¹	6.2%	4.5%	170bps
Return on capital employed (ROCE)			
Underlying – reported rates ¹	15.8%	8.7% ²	710bps
Basic earnings per share			
Underlying – reported rates ¹	63.0p	29.5p	113.6%
Underlying – constant currency ¹	63.0p	30.9p	103.9%
Statutory	62.6p	20.0p	213.0%
Free cash flow			
Underlying – reported rates ¹	890	660	34.8%
Dividend			
Full-year dividend per ordinary share	31.5p	14.0p	125.0%

1. The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

2. Re-presented to reflect a simplified definition of capital employed (see page 49). As defined in previous years, ROCE was 7.7% in 2021 on average capital employed of £7,931m.

Financial results (continued)

Segmental performance

	Underlying revenue ¹		Change ¹		
	2022 £m	2021 £m	Reported rates	Constant currency	Organic
North America	17,139	11,170	53.4%	43.7%	44.1%
Europe	5,935	4,641	27.9%	32.3%	31.8%
Rest of World	2,697	2,325	16.0%	15.4%	14.8%
Total	25,771	18,136	42.1%	37.5%	37.5%

	Underlying operating profit ¹		Underlying operating margin ¹	
	2022 £m	2021 ² £m	2022 £m	2021 £m
North America	1,236	607	7.2%	5.4%
Europe	299	147	5.0%	3.2%
Rest of World	141	130	5.2%	5.6%
Unallocated overheads	(86)	(73)		
Total	1,590	811	6.2%	4.5%

- The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.
- Re-presented to reflect the change in the definition of regional underlying operating profit to include the share of results of associates (North America: £1m loss).

Income statement

	2022			2021		
	Statutory £m	Adjustments £m	Underlying ¹ £m	Statutory £m	Adjustments £m	Underlying ¹ £m
Revenue	25,512	259	25,771	17,908	228	18,136
Operating profit	1,500	90	1,590	545	266	811
Net (loss)/gain on sale and closure of businesses	(7)	7	-	10	(10)	-
Finance costs	(24)	(76)	(100)	(91)	(22)	(113)
Profit before tax	1,469	21	1,490	464	234	698
Tax expense	(352)	(13)	(365)	(107)	(64)	(171)
Profit for the year	1,117	8	1,125	357	170	527
Non-controlling interests	(4)	-	(4)	-	-	-
Attributable profit	1,113	8	1,121	357	170	527
Average number of shares	1,779m	-	1,779m	1,784m	-	1,784m
Basic earnings per share	62.6p	0.4p	63.0p	20.0p	9.5p	29.5p
EBITDA			2,371			1,554

- The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

Financial results (continued)

Statutory income statement

Revenue

On a statutory basis, revenue increased by 43% to £25,512m (2021: £17,908m).

Operating profit

Statutory operating profit was £1,500m (2021: £545m), an increase of 175%, reflecting the higher revenue and margin recovery. Statutory operating profit includes non-underlying item charges of £90m (2021: £266m), including acquisition-related costs of £92m (2021: £106m). Non-underlying items in the prior year also included COVID-19 resizing costs of £157m. A full list of non-underlying items is included in note 13 (non-GAAP measures).

Net gain or loss on sale and closure of businesses

The Group has recognised a net loss of £7m on the sale and closure of businesses (2021: net gain of £10m), including exit costs of £7m (2021: £nil). The net loss in the year includes the Group's exit from its operations in Russia in March.

Finance costs

Finance costs decreased to £24m (2021: £91m) mainly due to fair value gains on derivatives held to minimise volatility in short-term underlying finance costs, and the impact of the repayment of a tranche of US Private Placement (USPP) notes in October 2021 and termination of the covenant waivers, which were negotiated during the pandemic, in June 2021.

Tax expense

Profit before tax was £1,469m (2021: £464m) giving rise to an income tax expense of £352m (2021: £107m), equivalent to an effective tax rate of 24.0% (2021: 23.1%). The increase in rate primarily reflects the mix of profits by country being taxed at different rates.

Earnings per share

Basic earnings per share was 62.6p (2021: 20.0p), an increase of 213%, reflecting the higher profit for the year.

Underlying income statement

Revenue

Organic growth was 37.5% with underlying revenue, on a constant-currency basis, 105% of its 2019 level.

Organic growth of 37.5% reflected the reopening of sectors, with like-for-like volume growth of approximately 24%, the strong impact of winning and retaining business, with net new business of 7.5%, and pricing benefits of approximately 6%. Client retention rates continued to improve to a record 96.4%, 100bps higher than 2021, with underlying revenue growth from new business wins at 11.1%.

Operating profit

Underlying operating profit increased by 88% on a constant-currency basis, to £1,590m, and our underlying operating margin was 6.2% (2021: 4.5%), 84% of the 2019 margin. The margin improvement reflects the ongoing cost efficiency disciplines of the business and is despite the mobilisation costs and inflationary pressures.

Finance costs

Underlying finance costs decreased to £100m (2021: £113m) mainly due to the impact of the repayment of a tranche of USPP notes in October 2021 and termination of the covenant waivers in June 2021.

Tax expense

On an underlying basis, the tax charge was £365m (2021: £171m), equivalent to an effective tax rate of 24.5% (2021: 24.5%). The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

Earnings per share

On a constant-currency basis, underlying basic earnings per share increased by 104% to 63.0p (2021: 30.9p) reflecting the higher profit for the year.

Financial results (continued)

Balance sheet

Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources, including banking institutions, the public and the private placement markets. The Group has developed long-term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required.

A USPP note of \$398m (£297m) was repaid on 1 October 2021. In September 2022, the Group issued fixed-rate sustainable bonds of €500m (£439m) and £250m maturing in 2030 and 2032, respectively. The new bonds effectively pre-finance debt maturities of €500m (£439m) in January 2023 and \$352m (£315m) in October 2023.

The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The maturity profile of the Group's principal borrowings at 30 September 2022 shows that the average period to maturity is 3.9 years (2021: 3.7 years).

The Group's USPP notes contain leverage and interest cover covenants which are tested semi-annually at 31 March and 30 September. The leverage covenant test stipulates that consolidated net debt must be less than or equal to 3.5 times consolidated EBITDA. The interest cover covenant test stipulates that consolidated EBITDA must be more than or equal to 3 times consolidated net finance costs. Consolidated EBITDA and net finance costs are based on the preceding 12 months. The leverage and interest cover ratios were 1.0 times and 33.4 times, respectively, at 30 September 2022. Net debt, consolidated EBITDA and net finance costs are subject to certain accounting adjustments for the purposes of the covenant tests.

At 30 September 2022, the Group had access to £3,732m (2021: £3,656m) of liquidity, including £2,000m (2021: £2,000m) of undrawn committed bank facilities and £1,732m (2021: £1,656m) of cash, net of overdrafts.

Our credit ratings remain strong investment grade – Standard & Poor's A/A-1 Long-term and Short-term (outlook Stable) and Moody's A3/P-2 Long-term and Short-term (outlook Stable).

Net debt

Net debt has increased by £452m to £2,990m (2021: £2,538m). The Group generated £823m of free cash flow, after investing £704m in capital expenditure, which was more than offset by a £258m outflow from the acquisition of subsidiaries, joint ventures and associates, net of disposal proceeds, returns to shareholders in dividends of £418m and the share buyback of £425m, and adverse exchange translation of £251m.

The ratio of net debt to market capitalisation of £32,227m at 30 September 2022 was 9.3% (2021: 9.3%). At 30 September 2022, the ratio of net debt to underlying EBITDA was 1.3x (2021: 1.6x). Our leverage policy is to maintain strong investment-grade credit ratings and to target net debt to underlying EBITDA in the range of 1x-1.5x.

Post-employment benefits

The Group has continued to review and monitor its pension obligations throughout the year, working closely with the trustees and actuaries of all schemes across the Group to ensure appropriate assumptions are used and adequate provision and contributions are made.

The triennial actuarial valuation of the Compass Group Pension Plan (UK Plan) took place as at 5 April 2022 and showed a surplus of £299m, which represents a funding level of 113% compared with 106% at 5 April 2019. The accounting surplus in the UK Plan increased to £581m at 30 September 2022 (2021: £353m) mainly reflecting an increase in the discount rate, net of inflation, used to measure the liabilities as corporate bond yields have increased, partly offset by a decrease in the market value of plan assets as gilt and corporate bond yields have increased.

The deficit in the rest of the Group's defined benefit pension schemes has increased to £759m (2021: £224m) mainly reflecting the re-presentation of assets totalling £566m (2021: £546m) held in the US Rabbi Trust from post-employment benefit obligations to other investments.

The total pensions operating charge for defined contribution schemes in the year was £175m (2021: £124m) and £24m (2021: £24m) for defined benefit schemes.

Financial results (continued)

Return on capital employed

Return on capital employed was 15.8% (2021: 8.7%¹) based on net underlying operating profit after tax at the underlying effective tax rate of 24.5% (2021: 24.5%). The increase mainly reflects the higher profit, partly offset by higher average capital employed. The average capital employed was £7,567m (2021: £7,005m¹).

Cash flow

Free cash flow

Free cash flow totalled £823m (2021: £464m). During the year, we made cash payments of £57m (2021: £186m) in relation to programmes aimed at resizing the business. Adjusting for this, and acquisition transaction costs of £10m which are reported as part of operating cash flow, underlying free cash flow was £890m (2021: £660m), with underlying free cash flow conversion at 56% (2021: 81%).

Capital expenditure of £704m (2021: £610m) is equivalent to 2.7% (2021: 3.4%) of underlying revenue.

The working capital outflow was £159m (2021: £165m inflow), including an adverse impact of approximately £110m from the timing of the monthly payroll in a number of countries.

The net interest outflow reduced to £86m (2021: £116m) consistent with the lower finance costs in the year.

The net tax paid was £332m (2021: £200m), equivalent to an underlying cash tax rate of 22% (2021: 29%).

Acquisition and disposal of businesses

The total cash spent on business acquisitions during the year, net of cash acquired, was £303m (2021: £172m), including £221m of bolt-on acquisitions and interests in associates, £72m of contingent consideration and other payments relating to businesses acquired in previous years, and £10m of acquisition transaction costs included in net cash flow from operating activities.

The Group received £35m (2021: paid £11m) in respect of disposal proceeds net of exit costs, which includes the sale of a further 17% shareholding in the Japanese Highways business classified as an asset held for sale at 30 September 2021 and receipts in respect of prior year business disposals.

Dividends paid

Dividends paid in 2022 of £418m represents the 2021 final dividend (£250m) and the 2022 interim dividend (£168m).

Purchase of own shares

There was a £425m cash outflow in respect of the share buyback. The balance of the £500m programme announced in May 2022 was completed in November.

Foreign exchange translation

The £251m loss (2021: £83m gain) on foreign exchange translation of net debt primarily arises in respect of the Group's US dollar-denominated USPP notes.

Other non-cash movements

Other non-cash movements primarily comprises fair value movements on derivative financial instruments used to manage the Group's interest rate exposure.

Shareholder returns

Our dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend.

In determining the level of dividend in any year, the Board considers a number of factors, which include but are not limited to:

- the level of available distributable reserves in the parent company
- future cash commitments and investment requirements to sustain the long-term growth prospects of the business
- potential strategic opportunities
- the level of dividend cover

1. Re-presented to reflect a simplified definition of capital employed (see page 49). As defined in previous years, ROCE was 7.7% in 2021 on average capital employed of £7,931m.

Financial results (continued)

Further surpluses, after considering the matters set out above, may be distributed to shareholders over time by way of special dividend payments, share repurchases or a combination of both.

Compass Group PLC, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the parent company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for shareholder returns. The distributable reserves of the parent company include the distributable portion of retained earnings and the own shares reserve totalling £2,969m at 30 September 2022 (2021: £3,125m).

An interim dividend of 9.4p per share (2021: nil), £168m in aggregate, was paid in July. It is proposed that a final dividend of 22.1p per share (2021: 14.0p per share), £389m in aggregate, be paid on 2 March 2023 to shareholders on the register on 20 January 2023. This will result in a total dividend for the year of 31.5p per share (2021: 14.0p per share), £557m in aggregate (2021: £250m). The dividend is covered 2.0 times on an underlying earnings basis.

The final dividend of 22.1p will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 9 February 2023.

The Group is in a strong position to fund its dividend, which is well covered by cash generated by the business. Details of the Group's going concern assessment can be found on page 34. The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 22 to 27 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 22 to 27.

The £500m share buyback programme announced in May 2022 was completed in November 2022. We have announced a further share buyback of up to £250m, to take place during the first half of the 2023 financial year, taking the total buyback to £750m.

Treasury

The Group manages its liquidity, foreign currency exposure and interest rate risk in accordance with the policies set out below.

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

Foreign currency risk

The Group's policy is to balance its principal projected cash flows by currency with actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary, to implement this policy, forward currency contracts and cross currency swaps are taken out which, when applied to the actual currency borrowings, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into sterling. Where the borrowings are either less than, or equal to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the consolidated income statement.

Non-sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given, and will continue to give, rise to translation differences. The Group is only partially protected against the impact of such differences through the matching of cash flows to currency borrowings.

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year. For the second and third year, interest rates are fixed within ranges of 30% to 70% and 0% to 40% of projected debt, respectively.

Financial results (continued)

Tax

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

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

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

After many years of operations, the Group has numerous legacy subsidiaries across the world. Whilst some of these entities are incorporated in low-tax territories, Compass does not seek to avoid tax through the use of tax havens.

In an increasingly complex international corporate tax environment, a degree of tax risk and uncertainty is, however, inevitable. Tax risk can arise from differences in interpretation of regulations, but most significantly where governments apply diverging standards in assessing intra-group cross-border transactions. This is the situation for many multinational organisations. We manage and control these risks in a proactive manner and, in doing so, exercise our judgement and seek appropriate advice from relevant 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.

Risks and uncertainties

The Board takes a proactive approach to risk management aimed at protecting the Group's employees, clients and consumers and safeguarding the interests of the Group and its shareholders in a constantly changing environment.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out on pages 22 to 27.

Related party transactions

Details of transactions with related parties are set out in note 11 to the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Going concern

The factors considered by the directors in assessing the ability of the Group to continue as a going concern are discussed on page 34.

The Group has access to 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.

Based on the assessment discussed on page 34, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the period to 31 March 2024. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial results (continued)

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the Group's viability, considering its current trading performance, financial position, financing, strategic plan and principal risks.

Business prospects

The Board has considered the long-term prospects of the Group based on its business model, strategy and markets. Compass is a global leader in food services and the geographical and sector diversification of the Group's operations helps to minimise the risk of serious business interruption or catastrophic damage to its reputation. The Group's business model is structured so that it is not reliant on one group of clients or sector. The Group's largest client constitutes 2% of underlying revenue, with the top 10 clients accounting for 10%.

Assessment

The directors have determined that a three-year period to 30 September 2025 is an appropriate period over which to provide its viability statement on the basis that it is the period reviewed by the Board in its strategic planning process and is aligned to the typical length of the Group's contracts (three to five years). The directors believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer-term outlook.

The Board's assessment of the Group's viability comprises the following business processes:

- *Risk management process*

The Group operates a formal risk management process under which the Group's principal risks are assessed and prioritised biannually. Risks and corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. The findings of the risk reviews, including the principal risks and any developing trends, are reported to the Board twice a year. In making its viability assessment, the Board carried out a robust evaluation of the principal risks facing the Group (see pages 22 to 27), including those that would threaten its business model, future performance, solvency or liquidity.

- *Strategic planning process*

The Board considers annually a three-year, bottom-up strategic plan and a more detailed budget which is prepared for the following year. Current-year business performance is reforecast during the year. The plan is reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the Executive team. The Board's role is to consider the appropriateness of key assumptions, considering the external environment and business strategy. The most recent three-year plan was approved by the Board in November 2022.

- *Headroom and covenant analysis*

At 30 September 2022, the Group had £2.0bn of undrawn committed bank facilities, which mature in August 2024 (£140m) and August 2026 (£1,860m), and £1.7bn of cash net of overdrafts. Term debt maturities in the three-year period total £2.0bn, of which £0.7bn was pre-financed with bond issues in September 2022. Based on the forecast cash flows in the strategic plan, the remainder of the maturing debt is expected to be refinanced during the three-year period to 30 September 2025 to maintain the desired level of headroom.

A reverse stress test has been undertaken to identify the circumstances that would cause the Group to breach the headroom against its committed facilities or the financial covenants on its USPP debt. The reverse stress test, which removes discretionary M&A expenditure and share buybacks as mitigating actions, shows that underlying EBITDA¹ would have to reduce by more than 60% of the strategic plan level throughout the three-year assessment period before the leverage covenant is reached. The refinancing requirement is not accelerated given the strong liquidity position of the Group.

The principal risks that would have the most significant impact on the Group's business model, future performance, solvency or liquidity are further outbreaks of COVID-19 or another pandemic and associated containment measures, geopolitical tensions, economic conditions and food and labour cost inflation and these, together with the other principal risks identified on pages 22 to 27, have been considered as part of the viability assessment. Specific scenarios based on the principal risks have not been modelled on the basis that the level of headroom to absorb the occurrence of such risks is substantial and there is a range of other actions available that could be implemented to mitigate the potential impact.

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 13 to the consolidated financial statements.

Financial results (continued)

Substantial mitigating actions were identified and implemented as part of the Group's COVID-19 pandemic response in 2020, including reducing capital expenditure, resizing the cost base, renegotiating client contracts, pausing M&A activity and shareholder returns, raising equity, negotiating covenant waivers and securing additional committed funding.

In the event that the financial covenants were to come under pressure, mitigating actions include repaying the loan notes from available liquidity, or refinancing, in advance of their maturity or negotiating covenant waivers. The Group's long-term (A/A3) and short-term (A-1/P-2) credit ratings and well-established presence in the debt capital markets provide the directors with confidence that the Group could raise additional debt finance if required.

Conclusion

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2025.



Palmer Brown
Group Chief Financial Officer
21 November 2022

Risk management

The Board takes a proactive approach to risk management aimed at protecting the Group's employees, clients and consumers and safeguarding the interests of the Company and its shareholders in a constantly changing environment.

Risk management is an essential element of business governance. The Group has risk management policies, processes and procedures in place to ensure that risks are properly identified, evaluated, and managed at the appropriate level.

The identification of risks and opportunities, the development of action plans to manage those 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.

In compliance with provision 28 of the UK Corporate Governance Code 2018 (the Code), the Board has conducted a robust assessment of the Company's emerging and principal risks. The following pages set out the Board's approach to assessing and mitigating risk, the principal risks of the Company and the procedures in place to identify emerging risks.

Risk management framework

The Board has overall responsibility for risk management. This includes the establishment of policies and procedures to manage risk, overseeing the internal control framework, reviewing the nature and extent of the principal risks, setting risk appetite and embedding a culture of risk management throughout the business.

The Board has approved a risk management policy. The Group operates a formal risk management process in accordance with this policy, under which the Group's principal risks (set out on pages 22 to 27) are assessed and prioritised biannually. In accordance with the guidance set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014 and in the Code, this process has been in place for the financial year under review. These systems are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, safeguard the Group's assets against material loss, fairly report the Group's performance and position, and ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. These systems provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board delegates aspects of risk management, with the Executive Committee responsible for the day-to-day management of significant risk, and the Audit Committee responsible for the oversight of Compass' risk management systems and internal financial controls. The Group Director of Risk and Internal Audit maintains the risk management framework including the risk policy. The Audit Committee annually reviews the effectiveness of the Group's approach to risk management and any changes to the risk policy and recommends the principal risks and uncertainties disclosures made in the Annual Report and Accounts to the Board for approval.

Risks and the corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. Risk updates are integral to periodic management reviews and are regularly reviewed by the Regional Governance Committees and the Executive Committee. A critical component of the risk review process is the dynamic identification of emerging and developing risks at a country, regional and Group level. This bottom-up and top-down approach provides a comprehensive assessment of the key risks facing the Group. The findings of the risk reviews, including the principal risks and any developing trends, are reported to and considered by the Board twice a year.

Risks are considered at gross and net levels. This allows the impact of the risk and likelihood of its occurrence both before and after controls and mitigations to be assessed. Risk management plans are developed for all significant risks. They include a clear description of the nature of the risk, quantification of the potential impact and likelihood of occurrence, the owners for each risk, and details of the controls and mitigations in place, proportionate to the risk, and in line with the Company's business. The identification and assessment of climate-related risks and opportunities are incorporated within the risk management process. All country operating units are mandated to consider climate-related risks and opportunities. These are assessed in terms of % profit before interest and tax (PBIT) impact in accordance with the criteria set out in the Board-approved risk management policy. All country and Group level risks are assigned risk owners and, together with the mitigations, are recorded in the central risk reporting system.

Risk management (continued)

Group companies also submit biannual risk and internal control assurance letters to the Group CFO on internal control and risk management issues, with comments on the control environment within their operations. The Chair of the Audit Committee reports to the Board on any matters arising from the Committee's review of how the risk management and internal control processes have been applied.

The Audit Committee keeps under review the adequacy and effectiveness of the Company's and Group's internal financial controls and risk management systems.

Risk appetite

The Board interprets risk appetite as the level of risk that the Company is willing to take to meet its strategic objectives. The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process and the internal risk governance and control frameworks. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit that has greatly contributed to the Company's success is not inhibited.

In assessing risk appetite, the Board reviews the three-year business plan and associated strategic risks. Risk appetite for specific financial risks such as funding and liquidity, credit, counterparty, foreign exchange and interest rate risk are set out in the Board approved treasury policies. Compliance with legal and regulatory requirements, such as those contained in the Companies Act, health and safety and other risk-specific legislation is mandatory.

New and emerging risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk management framework and through direct feedback from management, including in regard to changing operating conditions, and market and consumer trends.

As announced in Compass' half year results, geopolitical tension, in particular the conflict between Russia and Ukraine, has been recognised as a new principal risk due to the national security threat to countries, particularly in Europe and NATO, and the disruption to the global energy market which has contributed to the elevation of the existing cost inflation, economic and cyber security risks. The Board continues to monitor the situation carefully with the safety and security of colleagues front of mind. In March, Compass permanently exited the Russian market and moved away from all known Russian suppliers. Compass continues to manage inflation risks by sharing best practice across the Group to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity through the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients. Compass is cognisant of changes in the macroeconomic environment such as pressure on food commodity prices, fuel and labour, and the inflationary impact these bring to the business. The macroeconomic environment is kept under evaluation through regular business reviews, which provide the agility to flex contracts and the operating model accordingly.

Risk management (continued)

Our principal risks

The principal risks and uncertainties facing the business at the date of this Report, and any changes to the status of these risks since last year, are set out on pages 22 to 27. These have been subject to robust assessment and review.

They do not, however, comprise all 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 which are considered to be remote or are deemed to be less material at the date of this Report, may also have an adverse effect on the Group.

Pandemic COVID-19

The pandemic risk continues to represent a principal risk to the Group. Lessons have been learned from the business' response to COVID-19 and these have been incorporated into risk management processes and procedures to mitigate the impact of this risk as far as possible in the event of further outbreaks of COVID-19, or another pandemic. The Group will continue to monitor recurrences of COVID and retains the ability to adapt its service offering, apply relevant health and safety precautions and deploy resources as necessary.

Other principal risks

The Group faces a number of operational risks on an ongoing basis, such as litigation and financial risks, as well as some wider risks, for example, environmental and reputational.

All risks disclosed in previous years can be found in the annual reports available on our website, www.compass-group.com. These risks remain important to the business and are kept under regular review. However, the disclosures on pages 22 to 27 focus on risks currently considered to be more significant to the Group.

Principal risks

Key

- People
- Performance
- Purpose

- ↑ Increased risk
- ↔ Static risk
- ↓ Decreasing risk
- NEW New risk

Link to [map](#)

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

RISK	DESCRIPTION	MITIGATION
CLIMATE CHANGE AND SUSTAINABILITY		
<p>Climate change</p> <div style="display: flex; align-items: center; gap: 5px;"> </div> <div style="display: flex; align-items: center; gap: 5px; margin-top: 5px;"> 1 2 3 4 5 </div> <p>Trend</p> <p>→ 2022 NEW 2021</p>	<p>The impact of climate change on the environment may lead to issues around food sourcing and supply chain continuity in some of the Group's markets. Issues in these areas could affect the availability of some food products, and potentially may lead to food cost inflation.</p>	<p>The Group continues to focus on evaluating its exposure to climate change and seeks to identify potential future issues early so that sourcing and operations can be adjusted, and menus adapted appropriately. Work continues with clients and suppliers to propose, execute and measure solutions to support their efforts and those of Compass in reducing greenhouse gas emissions (GHG). Compass has targeted climate net zero GHG emissions by 2050 alongside validated science-based-targets to reduce emissions by 2030 (from a 2019 base year) in line with the 2015 Paris Agreement. Based on the scenario analysis carried out in relation to TCFD, we believe the risks do not have the potential to have a material impact on the Group.</p>
<p>Social and ethical standards</p> <div style="display: flex; align-items: center; gap: 5px;"> </div> <div style="display: flex; align-items: center; gap: 5px; margin-top: 5px;"> 1 2 3 4 5 </div> <p>Trend</p> <p>↑ 2022 NEW 2021</p>	<p>Compass relies on its people to deliver great service to its clients and consumers and recognises that the welfare of employees is the foundation of its culture and business. Compass remains vigilant in upholding high standards of business ethics with regard to human rights and social equality.</p>	<p>To enhance its ability to counter risks to its businesses and supply chains from modern slavery, Compass has focused on the areas where its human rights strategy can have the greatest impact. This has been done through the Human Rights Working Group, the engagement of external specialist advisers, the Group's Modern Slavery eLearning tools and ongoing work to strengthen and improve the Group's human rights due diligence through supplier evaluation and labour agency reviews.</p>
HEALTH AND SAFETY		
<p>Health and safety</p> <div style="display: flex; align-items: center; gap: 5px;"> </div> <div style="display: flex; align-items: center; gap: 5px; margin-top: 5px;"> 1 2 3 4 5 </div> <p>Trend</p> <p>→ 2022 → 2021</p>	<p>Compass feeds millions of consumers and Group companies employ hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount.</p> <p>Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to the Company's reputation.</p>	<p>Management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items.</p> <p>Health and safety improvement KPIs are included in the annual bonus plans for each of the businesses' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards.</p> <p>The safety and quality of the Group's global supply chain are assured through compliance with a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.</p> <p>Further mitigations in place include Global Operational Safety Standards, Global Supply Chain Integrity Standards and a Global Allergen Management Plan.</p>

Principal risks (continued)

Key

- People
- Performance
- Purpose

- ↑ Increased risk
- ↔ Static risk
- ↓ Decreasing risk
- NEW New risk

Link to [map](#)

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

RISK	DESCRIPTION	MITIGATION
HEALTH AND SAFETY (CONTINUED)		
<p>Pandemic COVID-19</p> <p>■ ■ ■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>↔ 2022 ↓ 2021</p>	<p>The Group's operations were significantly disrupted due to the global COVID-19 pandemic and associated containment measures, but Compass has recovered well and learned from the pandemic. As a result, the risk has declined. Further outbreaks of the virus, or another pandemic, could cause further business risk.</p>	<p>Operations and working practices have been adjusted to retain the skills and experience of colleagues and provide flexibility in the event of a resumption of containment measures.</p> <p>To protect the Group's employees, clients and consumers, enhanced health and safety protocols and personal protective equipment requirements and guidelines, hygiene requirements and site layout solutions, developed in consultation with expert advisers and with our clients, have been adopted accordingly.</p> <p>Careful management of the Group's cost base and robust measures to protect the Group's liquidity position have ensured that we remain resilient and well placed to take advantage of appropriate opportunities as they arise.</p> <p>Robust incident management and business continuity plans are in place and are being monitored for effectiveness and regularly reviewed to reflect best practice.</p>
PEOPLE		
<p>Recruitment</p> <p>■ ■</p> <p>4 5</p> <p>Trend</p> <p>↔ 2022 ↑ 2021</p>	<p>Failure to attract and recruit people with the right skills at all levels could limit the success of the Group.</p> <p>The Group faces resourcing challenges in some of its businesses in some key positions due to labour shortages and a lack of industry experience amongst candidates, appropriately qualified people and the seasonal nature of some of Compass' businesses.</p>	<p>The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology such as apps and social media, and targeted recruitment, training and development programmes.</p>
<p>Retention and motivation</p> <p>■ ■</p> <p>4 5</p> <p>Trend</p> <p>↔ 2022 ↑ 2021</p>	<p>Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group.</p> <p>The current economic conditions may increase the risk of attrition at all levels of the organisation.</p> <p>Potential business closures resulting from further COVID-19 lock downs or other social distancing controls may significantly impact the Group's workforce in affected regions.</p>	<p>The Group has established tools, training, development, performance management and reward programmes to help retain, develop, motivate and support its best people.</p> <p>The Group has a number of well-established initiatives, which help to monitor levels of engagement and to respond to the needs of employees. Specifically, Compass has increased its local focus and employee support on mental health awareness, stress management and resilience to better equip its people in times of uncertainty and change.</p> <p>To protect its workforce, Compass applies measures available to it to retain as many of its skilled workforce as possible, including redeployment.</p>

Principal risks (continued)

Key

- People
- Performance
- Purpose

- ↑ Increased risk
- ↔ Static risk
- ↓ Decreasing risk
- NEW New risk

Link to [map](#)

- 1 Client sales and marketing
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RISK	DESCRIPTION	MITIGATION
CLIENTS AND CONSUMERS		
<p>Sales and retention</p> <p>■ ■</p> <p>1 2</p> <p>Trend</p> <p>↔ 2022 ↔ 2021</p>	<p>The Group's businesses rely on securing and retaining a diverse range of clients.</p> <p>The potential loss of material client contracts in an increasingly competitive market is a risk to Compass' businesses.</p> <p>Reduced office attendance, closure of client sites and fewer site visitors as a result of the ongoing impact of COVID-19 and related variants may impact revenues in affected sectors.</p>	<p>Compass has strategies that strengthen its long-term relationships with its clients and consumers based on quality, value and innovation.</p> <p>The Group's business model is structured so that it is not reliant on one particular sector or group of clients.</p> <p>Technology is used to support the delivery of efficiencies and to contribute to growth through, for example, cashierless and cashless payment systems and the use of artificial intelligence. This is beneficial to clients and consumers and positively impacts retention and new business wins.</p> <p>Compass continues to focus on financial security and safety. In today's environment, these are key strengths for clients.</p> <p>Contracts may be renegotiated. There is continued focus on retention and new sales and the use of technology and innovative client solutions.</p>
<p>Service delivery, contractual compliance and retention</p> <p>■ ■</p> <p>1 2</p> <p>Trend</p> <p>↔ 2022 ↔ 2021</p>	<p>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 the loss of business and/or claims.</p>	<p>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.</p>
<p>Competition and disruption</p> <p>■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>↔ 2022 ↔ 2021</p>	<p>The Group operates 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.</p> <p>Ongoing structural changes in working and education environments may reduce the number of people in offices and educational establishments.</p> <p>The emergence of new industry participants and traditional competition using disruptive technology could adversely affect the Group's businesses.</p>	<p>Compass aims to minimise this and to respond to new market and consumer food services trends by continuing to promote its differentiated propositions and by focusing on its strengths, such as flexibility in the cost base, quality, value of service and innovation.</p> <p>Harnessing knowledge and experience and continuing to invest in technology helps to counter any potential risk and to capitalise on the opportunities created.</p> <p>Compass continues to evolve its offer to increase participation rates and service sites of different sizes.</p> <p>The business is able to adapt to changes in the service provision environment and where possible take advantage of changes in the market. By leveraging its expertise and technology Compass is able to differentiate its food services offer. For example, investments in SmartQ, EAT Club and Feedr have given Compass platforms that allow it to pivot food operations according to changing client and consumer demands.</p>

Principal risks (continued)

Key

- People
- Performance
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- ↑ Increased risk
- ↔ Static risk
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- NEW New risk

Link to [map](#)

- 1 Client sales and marketing
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RISK	DESCRIPTION	MITIGATION
ECONOMIC AND POLITICAL ENVIRONMENT		
<p>Geopolitical</p> <p>■ ■ ■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>NEW 2022</p>	<p>At the half year, Compass recognised geopolitical tensions, including the conflict between Russia and Ukraine as a new principal risk. The conflict has heightened national security threats to countries, particularly in Europe and NATO and its disruption to the global energy market has contributed to the elevation of the existing cost inflation, economic and cyber security risks.</p>	<p>As a Group, Compass is monitoring the situation closely with the safety and security of the Group's employees front of mind. In March, Compass permanently exited the Russian market and moved away from all known Russian suppliers. The Group continues to manage inflation risks by sharing best practice across the Group to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling, and productivity by the increased use of technology. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients.</p>
<p>Economy</p> <p>■ ■ ■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>↑ 2022 ↔ 2021</p>	<p>Sectors of Compass' business could be susceptible to adverse changes in economic conditions and employment levels.</p> <p>Continued worsening of economic conditions has increased the risk to the businesses in some jurisdictions.</p>	<p>As part of Compass' strategy, the Group is focused on productivity and purchasing initiatives which help to manage the cost base. During adverse conditions, if necessary, actions can be taken to reduce labour costs and action plans have been implemented to protect profitability and liquidity.</p>
<p>Cost inflation</p> <p>■ ■</p> <p>3 4 5</p> <p>Trend</p> <p>↔ 2022 ↑ 2021</p>	<p>At Compass, the 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 US and UK, or the cost of food, could constitute a risk to our ability to do this.</p> <p>Increases in inflation continue to intensify cost pressures in some locations.</p>	<p>As part of the MAP framework and by sharing best practice across the Group, Compass seeks to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and by the increased use of technology. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients.</p> <p>It is anticipated that the cost action programmes and continued oversight of supply chain costs will assist in taking appropriate action to mitigate the risks in this area.</p>
<p>Political instability</p> <p>■ ■ ■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>↔ 2022 ↔ 2021</p>	<p>Compass is a global business operating in countries and regions with diverse economic and political conditions. Operations and earnings may be adversely affected by political or economic instability.</p>	<p>The Group remains alert to future changes presented by emerging markets or fledgling administrations and tries to anticipate and contribute to important changes in public policy.</p> <p>Where possible, Compass seeks to absorb price increases through operational efficiencies. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients.</p> <p>Recruitment and retention strategies are also in place to mitigate any impact on labour supply.</p> <p>Compass remains vigilant to changes in political stability in local jurisdictions and retains the flexibility to take appropriate mitigating action as necessary.</p>

Principal risks (continued)

Key

- People
- Performance
- Purpose

- ↑ Increased risk
- ↔ Static risk
- ↓ Decreasing risk
- NEW New risk

Link to [map](#)

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RISK	DESCRIPTION	MITIGATION
COMPLIANCE AND FRAUD		
<p>Compliance and fraud</p> <p>■ ■ ■</p> <p>1 2 3 4 5</p> <p>Trend</p> <p>↔ 2022 ↔ 2021</p>	<p>Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption, anti-competitive behaviour or other serious misconduct, could have an adverse effect on the Group's reputation, its performance and/or a reduction in the Company's share price and/or a loss of business. It could also lead to criminal action, sanction or other litigation being brought against the Company, its directors or Executive management.</p> <p>Companies face increased risk of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct both internally and externally, due to financial and/or performance pressures and significant changes to ways of working.</p>	<p>The Group's zero tolerance-based Code of Business Conduct and Code of Ethics continue to govern all aspects of its relationships with its stakeholders. Compass operates a continuous improvement process as part of the Group's Ethics and Integrity programme to enhance and strengthen its culture of integrity, sharing insights and emerging trends between regional and country management teams.</p> <p>The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Regulatory and compliance risks are included in this process to enable visibility and planning to address them.</p> <p>A strong culture of integrity is promoted through Compass' Ethics and Integrity programme and its independently operated Speak Up, We're Listening helpline and web platform. All alleged breaches of the Codes, including any allegations of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct, are followed up, investigated and dealt with appropriately.</p> <p>Regulation and compliance risk is also considered as part of the annual business planning process.</p> <p>Our Ethics and Integrity eLearning platform provides increased engagement on key regulatory and ethics and integrity topics for Group employees and clear communication of standards and expectations. Internal Audit regularly reviews internal controls and analyses financial transactions to mitigate the risk of error or fraud.</p>

Principal risks (continued)

Key

- People
- Performance
- Purpose

- ↑ Increased risk
- ↔ Static risk
- ↓ Decreasing risk
- NEW New risk

Link to [map](#)

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RISK	DESCRIPTION	MITIGATION
COMPLIANCE AND FRAUD (CONTINUED)		
<p>International tax</p> <p>■ ■ 3 5</p> <p>Trend</p> <p>↔ 2022 ↑ 2021</p>	<p>The international corporate tax environment remains complex and the sustained increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. The need to raise public finances to meet the cost of the COVID-19 pandemic is likely to cause governments to consider increases in tax rates and other potentially adverse changes in tax legislation, and to renew focus on compliance for large corporates.</p>	<p>Compass seeks to plan and manage its tax affairs efficiently in the jurisdictions in which the Group's businesses operate. Compass acts in compliance with relevant laws and disclosure requirements.</p> <p>Compass manages and controls these risks in a proactive manner and in doing so exercises judgement and seeks 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.</p> <p>The Group proactively manages its tax arrangements in accordance with various government-led initiatives and ensures compliance is achieved by putting robust processes and controls in place, including third-party support and review.</p>
<p>Information systems and technology</p> <p>■ ■ 1 2 3 4 5</p> <p>Trend</p> <p>↑ 2022 ↔ 2021</p>	<p>The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media.</p> <p>Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day-to-day operations and management decision making.</p> <p>The incidence of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data.</p> <p>The increase in remote working, and the Russia / Ukraine conflict has led to an increase in the risk of malware and phishing attacks across all organisations.</p>	<p>Compass continually assesses its cyber risk and manages the maturity of its enterprise infrastructure, platforms and security controls to ensure that it can effectively defend against any current or future cyber-attacks.</p> <p>Appropriate crisis management procedures are in place to handle issues in the event of defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts.</p> <p>The Group relies on a variety of digital and technology platforms to manage and deliver services and communicates with its people, clients, consumers and suppliers. Compass' decentralised model and infrastructure help to mitigate propagation of attacks across the Group's technology estate.</p> <p>Compass continues to be focused on the need to maximise the effectiveness of its information systems and technology as a business enabler. As such, the Group has increased its investment in technology and people in order to strengthen its platforms and enhance its cyber security defences to mitigate the risk of technology failure and data loss.</p> <p>Configuration changes have been implemented to block phishing emails, awareness campaigns have been increased and cyber training provided to help employees identify these types of attacks.</p> <p>IS&T controls and risks are assessed as part of the Group's formal governance processes and are reviewed by the Audit Committee on a regular basis.</p>

Compass Group PLC

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022		2021	
		£m	£m	£m	£m
Revenue	2		25,512		17,908
Operating costs			(24,057)		(17,394)
Operating profit before joint ventures and associates			1,455		514
Share of results of joint ventures and associates			45		31
Underlying operating profit¹	2,13	1,590		811	
Acquisition-related costs	13	(92)		(106)	
COVID-19 resizing credit/(costs)	3,13	4		(157)	
One-off pension charge	13	-		(2)	
Tax on share of profit of joint ventures	13	(2)		(1)	
Operating profit	2		1,500		545
Net (loss)/gain on sale and closure of businesses	10,13		(7)		10
Finance income		11		7	
Finance expense		(111)		(120)	
Other financing items	13	76		22	
Finance costs			(24)		(91)
Profit before tax			1,469		464
Income tax expense	4		(352)		(107)
Profit for the year			1,117		357
ATTRIBUTABLE TO					
Equity shareholders	5		1,113		357
Non-controlling interests			4		-
Profit for the year			1,117		357
BASIC EARNINGS PER SHARE	5		62.6p		20.0p
DILUTED EARNINGS PER SHARE	5		62.6p		20.0p

1. Operating profit excluding specific adjusting items (see note 13).

Compass Group PLC

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	2022 £m	2021 £m
Profit for the year	1,117	357
Other comprehensive income		
Items that will not be reclassified to the income statement		
Remeasurement of post-employment benefit obligations	1,038	(66)
Return on plan assets, excluding interest income	(668)	(6)
Change in asset ceiling, excluding interest income	3	(7)
Change in fair value of financial assets at fair value through other comprehensive income	(133)	4
Tax charge on items relating to the components of other comprehensive income	(65)	(5)
	175	(80)
Items that may be reclassified to the income statement		
Currency translation differences ¹	591	(154)
Reclassification of cumulative currency translation differences on sale of businesses	7	(24)
Tax credit on items relating to the components of other comprehensive income	–	1
	598	(177)
Total other comprehensive income/(loss) for the year	773	(257)
Total comprehensive income for the year	1,890	100
ATTRIBUTABLE TO		
Equity shareholders	1,886	100
Non-controlling interests	4	–
Total comprehensive income for the year	1,890	100

1. Includes a loss of £190m in relation to the effective portion of net investment hedges (2021: £37m gain).

Compass Group PLC

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Notes	Attributable to equity shareholders						Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings/(losses) £m		
At 1 October 2021	198	189	295	(2)	3,969	242	28	4,919
Profit for the year	-	-	-	-	-	1,113	4	1,117
Other comprehensive income								
Remeasurement of post-employment benefit obligations	-	-	-	-	-	1,038	-	1,038
Return on plan assets, excluding interest income	-	-	-	-	-	(668)	-	(668)
Change in asset ceiling, excluding interest income	-	-	-	-	-	3	-	3
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(133)	-	(133)
Currency translation differences	-	-	-	-	591	-	-	591
Reclassification of cumulative currency translation differences on sale of businesses	-	-	-	-	7	-	-	7
Tax charge on items relating to the components of other comprehensive income	-	-	-	-	-	(65)	-	(65)
Total other comprehensive income for the year	-	-	-	-	598	175	-	773
Total comprehensive income for the year	-	-	-	-	598	1,288	4	1,890
Fair value of share-based payments	-	-	-	-	34	-	-	34
Change in fair value of non-controlling interest put options	-	-	-	-	(2)	-	-	(2)
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	(7)	-	8	1
Purchase of non-controlling interests	-	-	-	-	-	(7)	(1)	(8)
Reclassification of non-controlling interest put option reserve on exercise of put options	-	-	-	-	5	-	(5)	-
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(4)	-	-	(4)
Purchase of own shares – share buyback programme ¹	-	-	-	(502)	-	-	-	(502)
Purchase of own shares – employee share-based payments	-	-	-	(6)	-	-	-	(6)
Transfer ^{2, 3}	-	-	-	(13)	(301)	314	-	-
	198	189	295	(523)	4,292	1,837	34	6,322
Dividends paid to equity shareholders	6	-	-	-	-	(418)	-	(418)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3)	(3)
Cost of shares transferred to employees	-	-	-	4	-	-	-	4
At 30 September 2022	198	189	295	(519)	4,292	1,419	31	5,905

1. Including stamp duty and brokers' commission.

2. The share-based payments reserve has been transferred to retained earnings on the basis that it is more appropriately presented as a component of retained earnings for equity-settled share-based payment schemes.

3. To ensure consistency in the presentation of own shares, the value of shares in Compass Group PLC purchased in previous years and held in treasury at 30 September 2022 has been transferred from retained earnings to the own shares reserve.

Own shares

The own shares reserve comprises 24,151,566 shares in Compass Group PLC purchased under the share buyback programme announced in May 2022 and held in treasury, 1,050,933 shares in Compass Group PLC purchased in previous years and held in treasury, and 221,909 shares in Compass Group PLC held by the Compass Group PLC All Share Schemes Trust (ASST).

In May 2022, the Company announced that it was commencing a share buyback programme to repurchase up to £500m of its own shares. During the year, 24,151,566 shares were repurchased for a total price, including transaction costs, of £440m, of which £425m was paid in cash during the year. These shares are held in treasury. The mandate issued to the broker to purchase the shares was irrevocable at 30 September 2022 and, therefore, a creditor in respect of the value of the shares not yet purchased under the programme has been recognised. The share buyback programme was completed in November and, in total, 27,599,115 shares were repurchased under the programme for a total price, including transaction costs, of £503m.

The ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for long-term incentive plans. At 30 September 2022, the nominal value of the shares in the ASST was £24,521 (2021: £20,468), with a market value of £4.0m (2021: £2.8m).

Compass Group PLC

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Attributable to equity shareholders						Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained (losses)/earnings £m		
At 1 October 2020	198	189	295	(2)	4,145	(35)	23	4,813
Profit for the year	–	–	–	–	–	357	–	357
Other comprehensive income								
Remeasurement of post-employment benefit obligations	–	–	–	–	–	(66)	–	(66)
Return on plan assets, excluding interest income	–	–	–	–	–	(6)	–	(6)
Change in asset ceiling, excluding interest income	–	–	–	–	–	(7)	–	(7)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	4	–	4
Currency translation differences	–	–	–	–	(154)	–	–	(154)
Reclassification of cumulative currency translation differences on sale of businesses	–	–	–	–	(24)	–	–	(24)
Tax credit/(charge) on items relating to the components of other comprehensive income	–	–	–	–	1	(5)	–	(4)
Total other comprehensive loss for the year	–	–	–	–	(177)	(80)	–	(257)
Total comprehensive (loss)/income for the year	–	–	–	–	(177)	277	–	100
Fair value of share-based payments	–	–	–	–	20	–	–	20
Change in fair value of non-controlling interest put options	–	–	–	–	(16)	–	–	(16)
Changes to non-controlling interests due to acquisitions and disposals	–	–	–	–	–	–	5	5
Release of share awards settled in existing shares purchased in the market	–	–	–	–	(3)	–	–	(3)
Purchase of own shares – employee share-based payments	–	–	–	(3)	–	–	–	(3)
	198	189	295	(5)	3,969	242	28	4,916
Cost of shares transferred to employees	–	–	–	3	–	–	–	3
At 30 September 2021	198	189	295	(2)	3,969	242	28	4,919

Compass Group PLC

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2022

	Notes	30 September	
		2022 £m	2021 £m
NON-CURRENT ASSETS			
Goodwill	7	5,119	4,550
Other intangible assets		1,960	1,617
Costs to obtain and fulfil contracts		1,106	923
Right-of-use assets		821	759
Property, plant and equipment		948	835
Interests in joint ventures and associates		270	256
Other investments		790	166
Post-employment benefit assets		581	353
Trade and other receivables		162	129
Deferred tax assets		230	212
Derivative financial instruments		76	116
Non-current assets		12,063	9,916
CURRENT ASSETS			
Inventories		511	327
Trade and other receivables		3,988	2,684
Tax recoverable		106	82
Cash and cash equivalents		1,983	1,840
Derivative financial instruments		71	2
		6,659	4,935
Assets held for sale	10	26	17
Current assets		6,685	4,952
Total assets		18,748	14,868
CURRENT LIABILITIES			
Borrowings		(693)	(481)
Lease liabilities		(194)	(180)
Derivative financial instruments		(6)	(9)
Provisions		(269)	(298)
Current tax liabilities		(245)	(169)
Trade and other payables		(5,626)	(4,090)
Current liabilities		(7,033)	(5,227)
NON-CURRENT LIABILITIES			
Borrowings		(3,271)	(3,154)
Lease liabilities		(719)	(665)
Derivative financial instruments		(237)	(7)
Post-employment benefit obligations		(759)	(224)
Provisions		(310)	(283)
Deferred tax liabilities		(160)	(84)
Trade and other payables		(354)	(305)
Non-current liabilities		(5,810)	(4,722)
Total liabilities		(12,843)	(9,949)
Net assets		5,905	4,919
EQUITY			
Share capital		198	198
Share premium		189	189
Capital redemption reserve		295	295
Own shares		(519)	(2)
Other reserves		4,292	3,969
Retained earnings		1,419	242
Total equity shareholders' funds		5,874	4,891
Non-controlling interests		31	28
Total equity		5,905	4,919

Approved by the Board of Directors on 21 November 2022 and signed on its behalf by:

DOMINIC BLAKEMORE, Director
PALMER BROWN, Director

Compass Group PLC

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £m	2021 ¹ £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	8	2,024	1,492
Interest paid		(96)	(121)
Tax received		31	29
Tax paid		(363)	(229)
Net cash flow from operating activities		1,596	1,171
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies		(263)	(157)
Purchase of interests in joint ventures and associates		(28)	(5)
Net proceeds/(payments) from sale of subsidiary companies, joint ventures and associates net of exit costs ²		35	(11)
Purchase of intangible assets		(177)	(155)
Purchase of contract fulfilment assets		(218)	(231)
Purchase of property, plant and equipment		(282)	(228)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		37	44
Purchase of other investments		(42)	(20)
Proceeds from sale of other investments		3	3
Dividends received from joint ventures and associates		51	28
Interest received		10	5
Net cash flow from investing activities		(874)	(727)
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of own shares – share buyback programme		(425)	–
Purchase of own shares – employee share-based payments		(6)	(3)
Increase in borrowings		677	–
Repayment of borrowings		(297)	(7)
Net cash flow from derivative financial instruments		(67)	11
Repayment of principal under lease liabilities		(152)	(153)
Purchase of non-controlling interests		(2)	–
Dividends paid to equity shareholders	6	(418)	–
Dividends paid to non-controlling interests		(3)	–
Net cash flow from financing activities		(693)	(152)
CASH AND CASH EQUIVALENTS			
Net increase in cash and cash equivalents		29	292
Cash and cash equivalents at 1 October		1,656	1,387
Currency translation gains/(losses) on cash and cash equivalents		47	(25)
Sub-total		1,732	1,654
Cash reclassified from held for sale		–	2
Cash and cash equivalents at 30 September		1,732	1,656
Cash and cash equivalents ³		1,983	1,840
Bank overdrafts ³		(251)	(184)
Cash and cash equivalents at 30 September		1,732	1,656

1. Re-presented to disaggregate cash flows from borrowings and derivative financial instruments in the consolidated cash flow statement. Accordingly, the prior year increase in borrowings has reduced from £11m to £nil and a net cash inflow from derivative financial instruments of £11m has been included.

2. Includes £15m of tax receipts (2021: £43m of tax payments) in respect of prior year business disposals.

3. As per the consolidated balance sheet.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES

Basis of preparation

The Group has prepared its consolidated financial statements in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts. The reports of the auditor were unqualified, did not draw attention to any matters by way of emphasis without qualifying its reports and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons stated below.

At 30 September 2022, the Group's financing arrangements included sterling and Euro bonds (£2,783m) and US dollar US Private Placements (USPP) (£927m). In addition, the Group had Revolving Credit Facilities of £2,000m (£140m committed to August 2024 and £1,860m committed to August 2026), which were fully undrawn, and £1,732m of cash, net of overdrafts. At the date of approving these consolidated financial statements, the liquidity position of the Group has remained substantially unchanged.

In September, the Group issued €500m (£439m) and £250m of sustainable bonds maturing in 2030 and 2032, respectively. The new bonds effectively pre-finance debt maturities of €500m (£439m) in January 2023 and \$352m (£315m) in October 2023. There are no other debt maturities in the 18 months to 31 March 2024, with the next maturity in July 2024, a €750m (£658m) Eurobond.

The USPP debt is subject to leverage and interest cover covenants which are tested on 31 March and 30 September each year. The Group met both covenants at 30 September 2022. The Group's other financing arrangements do not contain any financial covenants.

For the purposes of the going concern assessment, the directors have prepared monthly cash flow projections for the period to 31 March 2024 (the assessment period) from the most recent three-year strategic plan. We consider 18 months to be a reasonable period for the going concern assessment as it enables us to consider the potential impact of macroeconomic and geopolitical factors over an extended period.

The cash flow projections show that the Group has significant headroom against its committed facilities and meets its financial covenant obligations under the USPP debt agreements without any refinancing.

Climate change and the Group's net zero commitments are not expected to have a material impact during the going concern period. However, the Group is exposed to inflation, supply chain disruption and labour shortages caused by macroeconomic and geopolitical factors, as well as a potential resurgence of COVID-19 and, accordingly, the Group has performed a stress test against the base case to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants.

The leverage covenant would be reached in the event that underlying EBITDA reduced by more than 60% of the strategic plan level. The directors do not consider this scenario to be likely given the Group's ability to continue in operation throughout the COVID-19 pandemic, its recovery in underlying revenue in the year to 105% of 2019 levels on a constant-currency basis and the potential for future revenue and profit growth above historical rates. The stress test assumes no share buybacks or new acquisitions and disposals as mitigating actions. Other mitigating actions available to the Group include reductions in discretionary capital expenditure and ceasing dividend payments.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least the period to 31 March 2024 and, therefore, have prepared the financial statements on a going concern basis.

Changes in accounting policies

There were no new accounting standards or amendments to existing standards effective in the current year that had a significant impact on the Group's consolidated financial statements. There are also a number of changes to accounting standards, effective in future years, which are not expected to significantly impact the Group's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements and estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Accounting judgements

There are no judgements that management considers to be critical in the preparation of these financial statements.

Consistent with the prior year, there is a significant judgement in respect of the classification of cash payments relating to contract fulfilment assets in the cash flow statement. Contract fulfilment assets originate when payments are made, normally up front at the start of the client contract, that provide enhanced resources to the Group over the contract term. The Group classifies additions to contract fulfilment assets as investing activities in accordance with IAS 7 Statement of Cash Flows as they arise from cash payments in relation to assets that will generate long-term economic benefits.

Estimation uncertainty

Major sources of estimation uncertainty

The Group's major sources of estimation uncertainty are in relation to goodwill and post-employment benefits on the basis that a reasonably possible change in key assumptions could have a material effect on the carrying amounts of assets and liabilities in the next 12 months.

- *Goodwill*

The Group tests at least annually whether goodwill has suffered any impairment in accordance with IAS 36 Impairment of Assets. The recoverable amounts of the Group's cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. The key assumptions used for the value-in-use calculations and sensitivity analysis are set out in note 7.

- *Post-employment benefits*

The Group's defined benefit pension schemes and similar arrangements are assessed half-yearly in accordance with IAS 19 Employee Benefits. The present value of the defined benefit liabilities is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, including discount rates, inflation, pension and salary increases, and mortality and other demographic assumptions.

Other sources of estimation uncertainty

In addition to the major sources of uncertainty, management has identified other sources of estimation uncertainty which are summarised below. Whilst these are not considered to be major sources of uncertainty as defined by IAS 1 Presentation of Financial Statements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties.

- *Taxes*

The Group has operations in around 40 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors, including the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased co-operation between tax authorities and greater cross-border transparency.

The Group estimates and recognises additional tax liabilities as appropriate based on management's interpretation of country-specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made.

In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES (CONTINUED)

• *Conflict in Ukraine*

During the year, the Group exited the Russian market in response to the conflict in Ukraine, with the disposal of the business completing in March 2022. As noted in the principal risks section on page 25, geopolitical tension, including the conflict between Russia and Ukraine, has been recognised as a new principal risk due to the heightened national security threats to countries, particularly in Europe and NATO, and the disruption to the global energy market which has contributed to the elevation of the existing cost inflation, economic and cyber security risks. The potential impact of the conflict in Ukraine on the reported amounts in the financial statements has been considered, in particular the exacerbation of global inflationary pressures on:

- the assessment of the carrying value of goodwill, contract-related non-current assets and trade receivables
- the cash flow forecasts used for the purposes of the going concern and viability assessments

There was no impact on the reported amounts in the financial statements as a result of this review.

• *Climate change*

Climate change is identified as a principal risk as its impact on the environment may lead to issues around food sourcing and supply chain continuity in some of the Group's markets (see page 22). The potential impact of climate change has been assessed with scenario analysis conducted in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In October 2021, the Group announced a commitment to reach climate net zero greenhouse gas (GHG) emissions across its global operations and value chain by 2050.

The potential impact of climate change and the Group's net zero commitments on the reported amounts in the financial statements has been considered as follows:

- the cash flow forecasts used in the impairment assessments of the carrying value of non-current assets, in particular goodwill (see note 7)
- the cash flow forecasts used to determine the recoverability of deferred tax assets (see note 4)
- the valuation of post-employment benefit assets and liabilities
- the going concern (18 months) and viability (three years) assessments during which the potential impact of climate change is not expected to be significant
- the useful economic lives of tangible fixed assets and their exposure to the physical risks posed by climate change which are not expected to be significant due to the low capital intensity of the Group

There was no impact on the reported amounts in the financial statements as a result of this review.

UK market volatility

The 2022 year end has coincided with a period of significant volatility in the UK market following the government's mini-budget announcement on 23 September. In the week after the announcement, sterling weakened against the US dollar, and bond yields and interest rates increased. These movements exacerbated the trends already observed in these variables during the year which have had a significant impact on the Group's financial statements as follows:

- There is a £591m exchange gain (2021: £154m loss) in the translation reserve mainly reflecting the impact of the weakening of sterling against the US dollar from £1:\$1.35 at 30 September 2021 to £1:\$1.12 at 30 September 2022 on the Group's US dollar-denominated assets. The impact of exchange includes a loss of £190m in relation to the effective portion of net investment hedges (2021: £37m gain) (see page 29).
- There is a £1,038m gain (2021: £66m loss) on the remeasurement of pension liabilities largely driven by higher discount rates based on the yield on high-quality corporate bonds. This gain is partly offset by a £668m reduction (2021: £6m) in the market value of pension assets (see page 29).
- As a result of an increase in interest rates, there is a £70m gain in the income statement and corresponding increase in the fair value of derivative financial instruments held to minimise volatility in short-term underlying finance costs under which the Group receives floating and pays fixed interest rates. There is a £317m reduction in the fair value of derivative financial instruments held to swap longer-term fixed-rate debt to floating interest rates which is offset by a £320m reduction in the carrying value of those borrowings through fair value hedge accounting.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

2 SEGMENTAL ANALYSIS

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and Rest of World.

REVENUE ^{1, 2}	Geographical segments			Total £m
	North America £m	Europe £m	Rest of World £m	
YEAR ENDED 30 SEPTEMBER 2022				
Business & Industry	4,805	2,660	936	8,401
Education	3,782	874	173	4,829
Healthcare & Senior Living	5,437	1,001	404	6,842
Sports & Leisure	2,854	738	89	3,681
Defence, Offshore & Remote	261	662	1,095	2,018
Underlying revenue^{3, 4}	17,139	5,935	2,697	25,771
Less: Share of revenue of joint ventures	(18)	(241)	–	(259)
Revenue	17,121	5,694	2,697	25,512
YEAR ENDED 30 SEPTEMBER 2021				
Business & Industry	2,759	2,100	746	5,605
Education	2,449	680	137	3,266
Healthcare & Senior Living	4,582	930	389	5,901
Sports & Leisure	1,169	330	46	1,545
Defence, Offshore & Remote	211	601	1,007	1,819
Underlying revenue^{3, 4}	11,170	4,641	2,325	18,136
Less: Share of revenue of joint ventures	(21)	(207)	–	(228)
Revenue	11,149	4,434	2,325	17,908

1. There is no inter-segment trading.

2. An analysis of revenue recognised over time and at a point in time is not provided on the basis that the nature, amount, timing and uncertainty of revenue and cash flows is considered to be similar.

3. Revenue plus share of revenue of joint ventures.

4. Underlying revenue arising in the UK, the Group's country of domicile, was £1,975m (2021: £1,446m). Underlying revenue arising in the US region was £16,274m (2021: £10,582m). Underlying revenue arising in all countries outside the UK from which the Group derives revenue was £23,796m (2021: £16,690m).

PROFIT	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
YEAR ENDED 30 SEPTEMBER 2022					
Underlying operating profit/(loss) before results of joint ventures and associates	1,226	262	141	(86)	1,543
Add: Share of profit before tax of joint ventures	1	28	–	–	29
Add: Share of results of associates	9	9	–	–	18
Underlying operating profit/(loss)¹	1,236	299	141	(86)	1,590
Less: Acquisition-related costs ²	(57)	(30)	(4)	(1)	(92)
Add: COVID-19 resizing credit ²	4	–	–	–	4
Less: Tax on share of profit of joint ventures ²	–	(2)	–	–	(2)
Operating profit/(loss)	1,183	267	137	(87)	1,500
Net loss on sale and closure of businesses ²					(7)
Finance costs					(24)
Profit before tax					1,469
Income tax expense					(352)
Profit for the year					1,117

1. Operating profit excluding specific adjusting items (see note 13).

2. Specific adjusting item (see note 13).

Compass Group PLC

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

2 SEGMENTAL ANALYSIS (CONTINUED)

PROFIT	Geographical segments				Total £m
	North America £m	Europe £m	Rest of World £m	Central activities £m	
YEAR ENDED 30 SEPTEMBER 2021					
Underlying operating profit/(loss) before results of joint ventures and associates	605	117	130	(73)	779
Add: Share of profit before tax of joint ventures	3	30	–	–	33
Add: Share of results of associates	(1)	–	–	–	(1)
Underlying operating profit/(loss) ¹	607	147	130	(73)	811
Less: Acquisition-related costs ²	(47)	(57)	(2)	–	(106)
Less: COVID-19 resizing costs ²	–	(149)	(8)	–	(157)
Less: One-off pension charge ²	–	(2)	–	–	(2)
Less: Tax on share of profit of joint ventures ²	–	(1)	–	–	(1)
Operating profit/(loss)	560	(62)	120	(73)	545
Net gain on sale and closure of businesses ²					10
Finance costs					(91)
Profit before tax					464
Income tax expense					(107)
Profit for the year					357

1. Operating profit excluding specific adjusting items (see note 13).

2. Specific adjusting item (see note 13).

3 OPERATING COSTS

COVID-19 resizing costs

When the pandemic began in March 2020, the Group adjusted its business model to the new trading environment, and incurred £122m of resizing costs in the year ended 30 September 2020 and a further charge for costs of £157m was recognised in the year ended 30 September 2021. These costs were excluded from the Group's underlying results (see note 13). No COVID-19 resizing costs were recognised during the year ended 30 September 2022, although there was a £4m reversal of unutilised provisions (2021: £nil). A total of £57m (2021: £186m) has been paid during the year in relation to programmes aimed at resizing the business.

Government grants and other COVID-19 assistance

During the year ended 30 September 2022, the Group continued to utilise government support to mitigate the impact of the COVID-19 pandemic where appropriate and recognised £51m (2021: £254m) in respect of temporary wage and other support schemes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4 TAX

	2022 £m	2021 £m
INCOME TAX EXPENSE		
CURRENT TAX		
Current year	322	226
Adjustment in respect of prior years	28	(7)
Current tax expense	350	219
DEFERRED TAX		
Current year	39	(84)
Impact of changes in statutory tax rates	2	(16)
Adjustment in respect of prior years	(39)	(12)
Deferred tax charge/(credit)	2	(112)
TOTAL		
Income tax expense	352	107

The income tax expense for the year is based on the effective UK statutory rate of corporation tax for the period of 19% (2021: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Tax uncertainties and associated risks are increasing for all multinational groups as a consequence of changes to local and international tax rules. Tax risk can arise from unclear regulations and differences in interpretation but, most significantly, where tax authorities apply diverging standards in assessing intra-group cross-border transactions. The Group has recognised provisions in respect of uncertain tax positions, none of which is individually material. In determining such liabilities, having regard to the specific circumstances of each tax position and external advice where appropriate, the Group assesses the range of potential outcomes and estimates whether additional tax may be due.

The Group is currently subject to a number of reviews and audits in jurisdictions around the world that primarily relate to complex corporate tax issues.

The Canadian Revenue Agency is continuing its enquiry into an intra-group financing arrangement implemented in July 2015. Compass Group Canada Limited and Canteen of Canada Limited have received assessments to additional federal and provincial taxes totalling £79m (£60m of tax and £19m of interest) and further assessments may be issued. We have considered a range of possible outcomes in assessing the liability and the provision is unchanged from the previous year.

In March 2022, the UK tax authority indicated that it may seek to challenge aspects of an intra-group refinancing undertaken in 2013. The challenge relates to the deductibility of interest for UK corporation tax purposes for the period from June 2013 to December 2016 on certain loans which formed part of that refinancing. We have had further discussions with the tax authority and, although they have not determined whether or how to challenge the arrangement, we consider that it is now appropriate to record a provision based on a range of possible outcomes. Our maximum potential liability is £62m of tax and £12m of interest.

We continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. The federal tax authorities in Brazil have issued a number of notices of deficiency relating primarily to the PIS/COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 30 September 2022, the total amount assessed in respect of these matters is £68m. The possibility of further assessments cannot be ruled out and the judicial process is likely to take a number of years to conclude. Based on the opinion of our local legal advisors, we do not currently consider it likely that we will have to settle a liability with respect to these matters and, on this basis, no provision has been recorded. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

The Group does not currently anticipate any material changes to the amounts recorded at 30 September 2022.

The global nature of the Group's operations gives rise to various factors which could affect the future tax rate. These include the mix of profits, changes to overseas statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling. The UK government has enacted an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. In addition, the future tax charge may be affected by the impact of acquisitions, disposals or other restructurings and the resolution of open issues with tax authorities.

Compass Group PLC

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4 TAX (CONTINUED)

The OECD Pillar Two framework and subsequent UK draft legislation to introduce a global minimum tax rate for large multinationals will, as currently proposed, apply to the Group for the year ending 30 September 2025. The impact is not expected to be material and the Group is continuing to monitor developments.

Deferred tax assets of £230m (2021: £212m) include £95m (2021: £90m) relating to the carry forward of unused tax losses. These arose predominantly in subsidiaries that incurred losses during the COVID-19 period, including charges incurred for restructuring costs. The directors consider it probable that sufficient taxable profit will be available against which the unused tax losses can be utilised. Management expects these deferred tax assets to be utilised over a period of between one and five years. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, management derived their forecasts from the most recent three-year strategic plan approved by management used for the purposes of reviewing goodwill for impairment (see note 7), updated for the effect of applicable tax laws and regulations relevant to those future taxable profits. No reasonably possible change in any of the key assumptions would result in a significant reduction in projected taxable profits such that the recognised deferred tax asset would not be realised.

Deferred tax assets have not been recognised in respect of tax losses of £323m (2021: £267m) and other temporary differences of £21m (2021: £21m). Of the unrecognised tax losses, £269m (2021: £236m) will expire at various dates between 2023 and 2031. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

5 EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year attributable to equity shareholders and the weighted average number of shares in issue during the year.

	2022 £m	2021 £m
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		
Profit for the year attributable to equity shareholders	1,113	357

	2022 Ordinary shares of 11 ¹ / _{20p} each millions	2021 Ordinary shares of 11 ¹ / _{20p} each millions
AVERAGE NUMBER OF SHARES		
Average number of shares for basic earnings per share	1,779	1,784
Dilutive share options	–	1
Average number of shares for diluted earnings per share	1,779	1,785

	2022 pence	2021 pence
EARNINGS PER SHARE		
Basic	62.6p	20.0p
Diluted	62.6p	20.0p

Underlying earnings per share for the year ended 30 September 2022 was 63.0p (2021: 29.5p). Underlying earnings per share is calculated based on earnings excluding the effect of acquisition-related costs, COVID-19 resizing costs, one-off pension charge, gains and losses on sale and closure of businesses and other financing items, together with the tax attributable to these amounts (see note 13).

6 DIVIDENDS

A final dividend in respect of 2022 of 22.1p per share, £389m in aggregate¹, has been proposed, giving a total dividend in respect of 2022 of 31.5p per share (2021: 14.0p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 9 February 2023 and has not been included as a liability in these financial statements.

	2022		2021	
	Dividends per share pence	£m	Dividends per share pence	£m
DIVIDENDS ON ORDINARY SHARES				
Amounts recognised as distributions to equity shareholders during the year:				
Final 2021	14.0	250	–	–
Interim 2022	9.4	168	–	–
Total	23.4	418	–	–

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2022 (1,760m shares).

Compass Group PLC

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

7 GOODWILL

	2022 £m	2021 £m
GOODWILL		
COST		
At 1 October	5,058	5,189
Business acquisitions	122	17
Sale and closure of businesses	(5)	(1)
Currency adjustment	489	(147)
At 30 September	5,664	5,058
IMPAIRMENT		
At 1 October	508	520
Currency adjustment	37	(12)
At 30 September	545	508
NET CARRYING AMOUNT		
At 30 September	5,119	4,550

GOODWILL BY BUSINESS SEGMENT

	2022 £m	2021 £m
US	2,498	1,996
Canada	219	193
North America	2,717	2,189
UK ¹	1,481	1,456
Finland	125	123
Other	506	510
Europe	2,112	2,089
Japan	107	115
Other	183	157
Rest of World	290	272
Total	5,119	4,550

1. Includes £1.3bn which arose in 2000 on the Granada transaction.

Approach to impairment testing

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Consistent with the monitoring and management of the business, the cash-generating units (CGU) relate to the total business for each country in which the Group operates. The recoverable amount of a CGU is determined from value-in-use calculations.

Key assumptions

The key assumptions for the value-in-use calculations are operating cash flow forecasts from the most recent three-year strategic plan approved by management, externally-derived long-term growth rates and pre-tax discount rates.

The strategic plan is 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 macroeconomic and geopolitical factors, including the impact of inflation and climate change.

Cash flows beyond the three-year period covered by the plan 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 (WACC) adjusted for specific risks relating to the country in which the CGU operates. This year, consistent with IAS 36 Impairment of Assets, the company-specific beta and gearing ratio assumptions used in the calculation of the Group's WACC have been replaced with market participant measures based on the averages of a number of companies with similar assets. The comparative discount rates would have been lower had this change been made in the prior year. The change in the calculation of the discount rates has not resulted in a change in the conclusion that the Group's goodwill balances are not impaired and is not, therefore, considered to be a change in an accounting estimate as defined by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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7 GOODWILL (CONTINUED)

GROWTH AND DISCOUNT RATES	2022		2021	
	Long-term growth rates	Pre-tax discount rates	Long-term growth rates	Pre-tax discount rates
US	2.2%	9.2%	2.0%	10.3%
Canada	2.0%	9.6%	2.0%	11.1%
UK	2.3%	9.5%	1.7%	10.2%
Finland	1.4%	8.3%	1.6%	9.5%
Rest of Europe ¹	0.8% – 14.4%	8.2% – 27.5%	0.9% – 9.4%	9.3% – 24.1%
Japan	0.9%	8.2%	1.0%	10.9%
Rest of World	1.3% – 4.4%	7.9% – 16.1%	1.3% – 4.5%	9.1% – 17.0%

1. Rest of Europe includes Turkey which has residual growth rate and pre-tax discount rate assumptions of 14.4% (2021: 9.4%) and 27.5% (2021: 24.1%), respectively. Excluding Turkey, the residual growth rate and pre-tax discount rate assumptions for Rest of Europe range from 0.8% to 2.7% (2021: 0.9% to 4.0%) and 8.2% to 11.7% (2021: 9.3% to 14.0%), respectively.

Results

No impairments were identified as a result of the goodwill impairment testing. Consistent with prior years, the goodwill impairment testing was performed as at 31 July. Subsequent to this date, management has considered whether there have been any indicators that the goodwill may be impaired. The potential impact of the recent market volatility in the UK and increases in discount rates and inflation have been considered. There was no impact on the reported amounts of goodwill as a result of this review.

Sensitivity analysis

The Group has performed a sensitivity analysis based on changes in key assumptions considered to be reasonably possible by management, including assumptions relating to the potential impact of climate change considering the results of the scenario analysis performed consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). There was no impact on the reported amounts of goodwill as a result of this review.

The UK CGU is sensitive to reasonably possible changes in key assumptions. Most of the UK goodwill arose in 2000 on the Granada transaction. The estimated recoverable amount of the Group's operations in the UK exceeds its carrying value by £535m (2021: £102m). The associated impact of changes in key assumptions on the impairment assessment is presented in the table below. The sensitivity analysis presented is prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

DECREASE IN RECOVERABLE AMOUNT	UK	
	2022 £m	2021 £m
Increase in pre-tax discount rate by 0.1%	(32)	(24)
Decrease in projected operating profit by 3%	(70)	(59)
Decrease in the long-term growth rate by 0.1%	(29)	(18)

In order for the recoverable amount to be equal to the carrying value, the pre-tax discount rate would have to be increased by 2.1% (2021: 0.5%), projected operating profit decreased by 23% (2021: 5%) or the long-term growth rate decreased to a decline of 0.1% (2021: growth of 1.1%). The directors consider that changes in key assumptions of this magnitude are reasonably possible in the current environment.

Other than as disclosed above, the directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the net operating assets of the individually significant CGUs disclosed above to fall below their carrying values.

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8 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	2022 £m	2021 £m
Operating profit before joint ventures and associates	1,455	514
<i>Adjustments for:</i>		
Acquisition-related costs ¹	82	96
COVID-19 resizing (credit)/costs	(4)	157
One-off pension charge	–	2
Amortisation – other intangible assets	100	79
Amortisation – contract fulfilment assets	214	200
Amortisation – contract prepayments	40	28
Depreciation – right-of-use assets	156	156
Depreciation – property, plant and equipment	260	250
Unwind of costs to obtain contracts	18	16
Impairment losses – other intangible assets ²	3	8
Impairment losses – contract fulfilment assets ²	3	11
Impairment losses – right-of-use assets ²	4	5
Impairment losses – property, plant and equipment ²	5	10
Impairment reversals – right-of-use assets	(3)	–
Impairment reversals – property, plant and equipment	(1)	(4)
Loss on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	–	35
Other non-cash changes	(4)	(4)
Decrease in provisions	(77)	(182)
Investment in contract prepayments	(64)	(40)
Increase in costs to obtain contracts ³	(31)	(22)
Post-employment benefit obligations net of service costs	(7)	(8)
Share-based payments – charged to profit	34	20
Operating cash flow before movements in working capital	2,183	1,327
Increase in inventories	(122)	(50)
Increase in receivables	(876)	(497)
Increase in payables	839	712
Cash generated from operations	2,024	1,492

- The adjustment for acquisition-related costs excludes acquisition transaction costs of £10m (2021: £10m) as acquisition transaction costs are included in cash flows from operating activities.
- 2021 impairment losses on contract-related non-current assets (£32m) and other assets (£2m) re-presented by asset category.
- Cash payments in respect of contract balances are classified as cash flows from operating activities, with the exception of contract fulfilment assets which are classified as cash flows from investing activities as they arise out of cash payments in relation to assets that will generate long-term economic benefits. During the year, the purchase of contract fulfilment assets in cash flows from investing activities is £218m (2021: £231m).

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9 FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

The carrying amounts of the following financial instruments measured at amortised cost approximate to their fair values: trade and other receivables; cash and cash equivalents (excluding money market funds); lease liabilities; provisions; and trade and other payables. Borrowings are measured at amortised cost unless they are part of a fair value hedge, in which case amortised cost is adjusted for the fair value attributable to the risk being hedged. The carrying amount of borrowings at 30 September 2022 is £3,964m (30 September 2021: £3,635m). The fair value of borrowings at 30 September 2022, calculated by discounting future cash flows to net present values at current market rates for similar financial instruments, is £3,920m (30 September 2021: £3,728m).

Financial instruments measured at fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

The fair value measurement hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

There were no transfers of financial instruments between levels of the fair value hierarchy in either the year ended 30 September 2022 or 2021. The carrying amounts of financial instruments measured at fair value are shown in the table below:

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	Level	2022 £m	2021 £m
NON-CURRENT			
Rabbi Trust investments ^{1,2}	1	566	–
Mutual fund investments ¹	1	52	38
Other investments ¹	1	12	18
Life insurance policies ¹	2	33	34
Derivative financial instruments – assets	2	76	116
Derivative financial instruments – liabilities	2	(237)	(7)
Trade investments ¹	3	127	76
Contingent consideration on business acquisitions ³	3	(39)	(63)
Non-controlling interest put options ³	3	(45)	(30)
CURRENT			
Money market funds ⁴	1	474	506
Derivative financial instruments – assets	2	71	2
Derivative financial instruments – liabilities	2	(6)	(9)
Contingent consideration on business acquisitions ³	3	(30)	(7)
Non-controlling interest put options ³	3	–	(8)

1. Classified as other investments in the consolidated balance sheet.

2. In 2022, the assets of the Rabbi Trust valued at £566m are presented as other investments rather than offset against post-employment benefit obligations.

3. Classified as trade and other payables in the consolidated balance sheet.

4. Classified as cash and cash equivalents in the consolidated balance sheet on the basis that they have a maturity of three months or less from the date of acquisition.

Due to the variability of the valuation factors, the fair values presented at 30 September 2022 may not be indicative of the amounts the Group would expect to realise in the current market environment. The fair values of financial instruments at levels 2 and 3 of the fair value hierarchy have been determined based on the valuation methodologies listed below:

Level 2

Life insurance policies Cash surrender values provided by third-party insurance providers.

Derivative financial instruments Present values determined from future cash flows discounted at rates derived from market sourced data. The fair values of derivative financial instruments represent the maximum credit exposure.

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9 FINANCIAL INSTRUMENTS (CONTINUED)

Level 3

Trade investments (primarily a 19% effective interest in Wildlife Holdings, Inc.) Estimated value using a weighted income and market value approach, with the income approach based on discounted cash flow projections and the market value approach on revenue and earnings multiples.

Contingent consideration on business acquisitions Estimated amounts payable based on the likelihood of specified future conditions, such as earnings targets, being met.

Non-controlling interest put options Estimated amounts payable based on the likelihood of options being exercised by minority shareholders.

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10 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

Acquisition of businesses

The total cash spent on the acquisition of subsidiaries during the year, net of cash acquired, was £273m (2021: £167m), including £70m of deferred and contingent consideration and other payments relating to businesses acquired in previous years and £10m of acquisition transaction costs included in net cash flow from operating activities.

There were no individually material acquisitions during the current year. A summary of business acquisitions completed during the year is presented in aggregate below:

	2022		2021	
	Book value £m	Fair value £m	Book value £m	Fair value £m
NET ASSETS ACQUIRED				
Goodwill	–	122	–	17
Other intangible assets	17	140	–	15
Right-of-use assets	7	7	–	–
Property, plant and equipment	7	7	2	2
Trade and other receivables	36	36	2	2
Inventories	6	6	1	1
Cash and cash equivalents	–	–	1	1
Lease liabilities	(7)	(7)	–	–
Provisions	(2)	(2)	–	–
Trade and other payables	(36)	(36)	(3)	(3)
Deferred tax liabilities	(6)	(6)	–	–
Fair value of net assets acquired (before non-controlling interests)		267		35
Non-controlling interests acquired		(8)		(5)
Fair value of net assets acquired		259		30
SATISFIED BY				
Cash consideration paid		193		24
Deferred and contingent consideration payable		66		6
Total consideration		259		30
CASH FLOW				
Cash consideration		193		24
Less: Cash acquired		–		(1)
Acquisition transaction costs ¹		10		10
Net cash outflow arising on acquisition		203		33
Deferred and contingent consideration and other payments relating to businesses acquired in previous years ²		70		134
Total cash outflow from purchase of subsidiary companies		273		167
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flow from operating activities ¹		10		10
Net cash flow from investing activities		263		157
Total cash outflow from purchase of subsidiary companies		273		167

1. Acquisition transaction costs are included in net cash flow from operating activities.

2. 2022 includes contingent consideration paid in respect of the acquisition of Fazer Food Services in January 2020.

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

The fair value adjustments made in respect of acquisitions in the year to 30 September 2022 are provisional and will be finalised within 12 months of the acquisition date, principally in relation to the valuation of contracts acquired.

The goodwill arising on the acquisition of the businesses represents the premium the Group has paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. The goodwill arising is not expected to be deductible for tax purposes.

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10 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)

The acquisitions did not have a material impact on the Group's revenue or profit for the year.

Sale and closure of businesses

The Group has recognised a net loss of £7m on the sale and closure of businesses (2021: net gain of £10m), including exit costs of £7m (2021: £nil). Activity in the year included the sale of a 17% shareholding in Highway Royal Co., Limited (Japanese Highways) and the Group's exit from its operations in Russia.

Assets held for sale

The Group's balance sheet includes interests in joint ventures and associates held for sale of £26m (2021: £17m) which represent a further 28% shareholding in Japanese Highways which it has agreed to sell. The non-recurring fair value measurement of the business held for sale is categorised as a Level 3 fair value and is based on the agreed sale price.

11 RELATED PARTY TRANSACTIONS

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

Subsidiaries

Transactions between the ultimate parent company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

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

Associates

There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of directors and key management personnel is set out in note 3 to the consolidated financial statements in the 2022 Annual Report. During the year, there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

Post-employment benefit schemes

Details of the Group's post-employment benefit schemes are set out in note 23 to the consolidated financial statements in the 2022 Annual Report.

12 POST-BALANCE SHEET EVENTS

On 3 October 2022, the Group sold four businesses in Central and Eastern Europe, Czech Republic, Hungary, Slovakia and Romania, for consideration of £62m. The aggregate net assets of the businesses sold were not material to the consolidated financial statements at 30 September 2022.

On 21 November 2022, a final dividend in respect of 2022 of 22.1p per share, £389m in aggregate, was declared.

In the period from 1 October to 11 November 2022, 3,447,549 shares were repurchased for a total price, including transaction costs, of £63m under the share buyback programme announced in May 2022. In November 2022, we announced a further share buyback of up to £250m, to take place during the first half of the 2023 financial year, taking the total buyback to £750m.

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13 NON-GAAP MEASURES

Introduction

The Executive Committee manages and assesses the performance of the Group using various underlying and other Alternative Performance Measures (APMs). These measures are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP) and may not be directly comparable with APMs used by other companies. Underlying measures reflect ongoing trading and, therefore, facilitate meaningful year-on-year comparison. Management believes that the Group's underlying and alternative performance measures, together with the results prepared in accordance with IFRS, provide comprehensive analysis of the Group's results. Certain of these measures are financial Key Performance Indicators (KPIs) which measure progress against our strategy.

In determining the adjustments to arrive at underlying results, we use a set of established principles relating to the nature and materiality of individual items or groups of items, including, for example, events which: (i) are outside the normal course of business; (ii) are incurred in a pattern that is unrelated to the trends in the underlying financial performance of our ongoing business; or (iii) are related to business acquisitions or disposals as they are not part of the Group's ongoing trading business and the associated cost impact arises from the transaction rather than from the continuing business.

Definitions

Measure	Definition	Purpose
INCOME STATEMENT		
Underlying revenue	Revenue plus share of revenue of joint ventures.	Allows management to monitor the sales performance of the Group's subsidiaries and joint ventures.
Underlying operating profit	Operating profit excluding specific adjusting items ² .	Provides a measure of operating profitability that is comparable over time.
Underlying operating margin¹	Underlying operating profit divided by underlying revenue.	An important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.
Organic revenue¹	Current year: Underlying revenue excluding businesses acquired, sold and closed in the year. Prior year: Underlying revenue including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.
Organic operating profit	Current year: Underlying operating profit excluding businesses acquired, sold and closed in the year. Prior year: Underlying operating profit including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Provides a measure of operating profitability that is comparable over time.
Underlying finance costs	Finance costs excluding specific adjusting items ² .	Provides a measure of the Group's cost of financing excluding items outside of the control of management.
Underlying profit before tax	Profit before tax excluding specific adjusting items ² .	Provides a measure of Group profitability that is comparable over time.

1. Key Performance Indicator.

2. Specific adjusting items are acquisition-related costs, COVID-19 resizing costs, one-off pension charge, tax on share of profit of joint ventures, gains and losses on sale and closure of businesses and other financing items.

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13 NON-GAAP MEASURES (CONTINUED)

Definitions (continued)

Measure	Definition	Purpose
INCOME STATEMENT (CONTINUED)		
Underlying income tax expense	Income tax expense excluding tax attributable to specific adjusting items ² .	Provides a measure of income tax expense that is comparable over time.
Underlying effective tax rate	Underlying income tax expense divided by underlying profit before tax.	Provides a measure of the effective tax rate that is comparable over time.
Underlying profit for the year	Profit for the year excluding specific adjusting items ² and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying profit attributable to equity shareholders (underlying earnings)	Profit for the year attributable to equity shareholders excluding specific adjusting items ² and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying earnings per share¹	Earnings per share excluding specific adjusting items ² and tax attributable to those items.	Measures the performance of the Group in delivering value to shareholders.
Net operating profit after tax (NOPAT)	Underlying operating profit excluding the operating profit of non-controlling interests, net of tax at the underlying effective tax rate.	Provides a measure of Group operating profitability that is comparable over time.
Underlying EBITDA	Underlying operating profit excluding underlying impairment, depreciation and amortisation of intangible assets, tangible assets and contract-related assets.	Provides a measure of Group operating profitability that is comparable over time.
BALANCE SHEET		
Net debt	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, less cash and cash equivalents.	Allows management to monitor the indebtedness of the Group.
Net debt to EBITDA	Net debt divided by underlying EBITDA.	Provides a measure of the Group's ability to finance and repay its debt from its operations.
Capital employed	Total equity shareholders' funds, excluding: net debt; post-employment benefit assets and obligations; and investments held to meet the cost of unfunded post-employment benefit obligations.	Provides a measure of the Group's efficiency in allocating its capital to profitable investments.
Return on Capital Employed (ROCE)¹	NOPAT divided by 12-month average capital employed.	ROCE demonstrates how we have delivered against the various investments we make in the business, be it operational expenditure, capital expenditure or bolt-on acquisitions.
CASH FLOW		
Capital expenditure	Purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment and investment in contract prepayments, less proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets.	Provides a measure of expenditure on long-term intangible, tangible and contract-related assets, net of the proceeds from disposal of intangible, tangible and contract-related assets.

1. Key Performance Indicator.

2. Specific adjusting items are acquisition-related costs, COVID-19 resizing costs, one-off pension charge, tax on share of profit of joint ventures, gains and losses on sale and closure of businesses and other financing items.

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13 NON-GAAP MEASURES (CONTINUED)

Definitions (continued)

Measure	Definition	Purpose
CASH FLOW (CONTINUED)		
Underlying operating cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, repayment of principal under lease liabilities and share of results of joint ventures and associates, and excluding interest and net tax paid, post-employment benefit obligations net of service costs, cash payments related to cost action programme and COVID-19 resizing costs and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying operating cash flow conversion	Underlying operating cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Free cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, purchase of other investments, proceeds from sale of other investments, dividends received from joint ventures and associates, interest received, repayment of principal under lease liabilities and dividends paid to non-controlling interests.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow¹	Free cash flow excluding cash payments related to cost action programme and COVID-19 resizing costs and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow conversion	Underlying free cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying cash tax rate	Net tax paid included in net cash flow from operating activities divided by underlying profit before tax.	Provides a measure of the cash tax rate that is comparable over time.
BUSINESS GROWTH		
New business	Current year underlying revenue for the period in which no revenue had been recognised in the prior year.	The measure of incremental revenue in the current year from new business.
Lost business	Prior year underlying revenue for the period in which no revenue has been recognised in the current year.	The measure of lost revenue in the current year from ceased business.
Net new business³	New business minus lost business as a percentage of prior year organic revenue.	The measure of net incremental revenue in the current year from business wins and losses.
Retention	100% minus lost business as a percentage of prior year organic revenue.	The measure of our success in retaining business.

1. Key Performance Indicator.

2. Specific adjusting items are acquisition-related costs, COVID-19 resizing costs, one-off pension charge, tax on share of profit of joint ventures, gains and losses on sale and closure of businesses and other financing items.

3. Net new business rebased to 2019 is calculated as new business minus lost business as a percentage of 2019 underlying revenue calculated on a constant-currency basis.

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13 NON-GAAP MEASURES (CONTINUED)

Reconciliations

Income statement

Underlying revenue and operating profit are reconciled to GAAP measures in note 2 (segmental analysis).

	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
ORGANIC REVENUE					
YEAR ENDED 30 SEPTEMBER 2022					
Underlying revenue	17,139	5,935	2,697	–	25,771
Organic adjustments	(74)	(51)	(47)	–	(172)
Organic revenue	17,065	5,884	2,650	–	25,599
YEAR ENDED 30 SEPTEMBER 2021					
Underlying revenue	11,170	4,641	2,325	–	18,136
Currency adjustments	753	(156)	12	–	609
Underlying revenue – constant currency	11,923	4,485	2,337	–	18,745
Organic adjustments	(79)	(21)	(28)	–	(128)
Organic revenue	11,844	4,464	2,309	–	18,617
Increase in underlying revenue at reported rates – %	53.4%	27.9%	16.0%		42.1%
Increase in underlying revenue at constant currency – %	43.7%	32.3%	15.4%		37.5%
Increase in organic revenue – %	44.1%	31.8%	14.8%		37.5%

	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
ORGANIC OPERATING PROFIT					
YEAR ENDED 30 SEPTEMBER 2022					
Underlying operating profit/(loss)	1,236	299	141	(86)	1,590
Underlying operating margin – %	7.2%	5.0%	5.2%		6.2%
Organic adjustments	1	(2)	(4)	–	(5)
Organic operating profit/(loss)	1,237	297	137	(86)	1,585
YEAR ENDED 30 SEPTEMBER 2021					
Underlying operating profit/(loss)	607	147	130	(73)	811
Underlying operating margin – %	5.4%	3.2%	5.6%		4.5%
Currency adjustments	40	(6)	3	–	37
Underlying operating profit/(loss) – constant currency	647	141	133	(73)	848
Organic adjustments	(3)	(1)	(3)	–	(7)
Organic operating profit/(loss)	644	140	130	(73)	841
Increase in underlying operating profit at reported rates – %	103.6%	103.4%	8.5%		96.1%
Increase in underlying operating profit at constant currency – %	91.0%	112.1%	6.0%		87.5%
Increase in organic operating profit – %	92.1%	112.1%	5.4%		88.5%

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13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

2022 Statutory £m	Specific adjusting items						2022 Underlying £m
	1	2	3	4	5	6	
UNDERLYING INCOME STATEMENT							
Operating profit	1,500	92	(4)	–	2	–	1,590
Net loss on sale and closure of businesses	(7)	–	–	–	–	7	–
Finance costs	(24)	–	–	–	–	–	(76)
Profit before tax	1,469	92	(4)	–	2	7	1,490
Income tax expense	(352)	(25)	(1)	–	(2)	(3)	18
Profit for the year	1,117	67	(5)	–	–	4	1,125
Less: Non-controlling interests	(4)	–	–	–	–	–	(4)
Profit attributable to equity shareholders	1,113	67	(5)	–	–	4	1,121
Earnings per share (p)	62.6p	3.8p	(0.3)p	–	–	0.2p	(3.3)p
Effective tax rate (%)	24.0%						24.5%

2021 Statutory £m	Specific adjusting items						2021 Underlying £m
	1	2	3	4	5	6	
UNDERLYING INCOME STATEMENT							
Operating profit	545	106	157	2	1	–	811
Net gain on sale and closure of businesses	10	–	–	–	–	(10)	–
Finance costs	(91)	–	–	–	–	–	(22)
Profit before tax	464	106	157	2	1	(10)	698
Income tax expense	(107)	(21)	(41)	–	(1)	(5)	4
Profit for the year	357	85	116	2	–	(15)	527
Less: Non-controlling interests	–	–	–	–	–	–	–
Profit attributable to equity shareholders	357	85	116	2	–	(15)	527
Earnings per share (p)	20.0p	4.7p	6.5p	0.1p	–	(0.8)p	(1.0)p
Effective tax rate (%)	23.1%						24.5%

1. 30.9p on a constant-currency basis.

Specific adjusting items are as follows:

1. Acquisition-related costs

Represent charges in respect of intangible assets acquired through business combinations, direct costs incurred as part of a business combination or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity.

2. COVID-19 resizing costs

Prior year charges related to cost actions taken to adjust our business to the trading environment in light of the COVID-19 pandemic (see note 3).

3. One-off pension charge

The £2m prior year pension charge in relation to GMP equalisation was classified as a specific adjusting item consistent with the classification of the £12m charge recognised in 2019 following the original High Court hearing.

4. Tax on share of profit of joint ventures

Reclassification of tax on share of profit of joint ventures to income tax expense.

5. Gains and losses on sale and closure of businesses

Profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets, and exit costs on closure of businesses (see note 10).

6. Other financing items

Financing items, including hedge accounting ineffectiveness, change in the fair value of derivatives held for economic hedging purposes, change in the fair value of investments, dividends received from Rabbi Trust investments and interest on net post-employment benefit assets or obligations.

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13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

	2022 £m	2021 £m
NET OPERATING PROFIT AFTER TAX (NOPAT)		
Underlying operating profit	1,590	811
Less: Tax on underlying operating profit at effective tax rate	(390)	(199)
Less: Operating profit of non-controlling interests net of tax	(4)	–
NOPAT	1,196	612

UNDERLYING EBITDA

	2022 £m	2021 £m
Underlying operating profit	1,590	811
Add back/(deduct):		
Depreciation of property, plant and equipment and right-of-use assets	416	406
Amortisation of intangible assets, contract fulfilment assets and contract prepayments (excluding amortisation of intangibles arising on acquisition)	354	307
Impairment losses – contract-related non-current assets	15	32
Impairment losses – other	–	2
Impairment reversals – contract-related non-current assets	(4)	(4)
Underlying EBITDA	2,371	1,554

Balance sheet

COMPONENTS OF NET DEBT

	2022 £m	2021 £m
Borrowings	(3,964)	(3,635)
Lease liabilities	(913)	(845)
Derivative financial instruments	(96)	102
Gross debt	(4,973)	(4,378)
Cash and cash equivalents	1,983	1,840
Net debt	(2,990)	(2,538)

NET DEBT RECONCILIATION

	2022 £m	2021 ¹ £m
Net increase in cash and cash equivalents	29	292
Deduct: Increase in borrowings	(677)	–
Add back: Repayment of borrowings	297	7
Add back/(deduct): Net cash flow from derivative financial instruments	67	(11)
Add back: Repayment of principal under lease liabilities	152	153
(Increase)/decrease in net debt from cash flows	(132)	441
New lease liabilities and amendments	(139)	(103)
Amortisation of fees and discounts on issue of debt	(3)	(4)
Fees and discounts accrued on issue of debt	1	–
Changes in fair value of borrowings in a fair value hedge	320	92
Lease liabilities acquired through business acquisitions	(7)	–
Lease liabilities derecognised on sale and closure of businesses	1	16
COVID-19 rent concessions	2	4
Reclassification	7	–
Changes in fair value of derivative financial instruments	(251)	(63)
Currency translation (losses)/gains	(251)	83
(Increase)/decrease in net debt	(452)	466
Net debt at 1 October	(2,538)	(3,006)
Cash reclassified from held for sale	–	2
Net debt at 30 September	(2,990)	(2,538)

1. Re-presented to disaggregate cash flows from borrowings and derivative financial instruments in the consolidated cash flow statement. Accordingly, the prior year increase in borrowings has reduced from £11m to £nil and a net cash inflow from derivative financial instruments of £11m has been included.

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13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

	2022 £m	2021 £m
NET DEBT TO EBITDA		
Net debt	2,990	2,538
Underlying EBITDA	2,371	1,554
Net debt to EBITDA (times)	1.3	1.6

	2022 £m	2021 ¹ £m
RETURN ON CAPITAL EMPLOYED (ROCE)		
NOPAT	1,196	612
Average capital employed	7,567	7,005
ROCE (%)	15.8%	8.7%

1. Re-presented to reflect a simplified definition of capital employed (see page 49). As defined in previous years, ROCE was 7.7% in 2021 on average capital employed of £7,931m, which also excluded deferred tax on post-employment benefit assets and obligations, amortised intangible assets acquired through business combinations, impaired goodwill, the Group's non-controlling partners' share of net assets and the net assets of discontinued operations.

Cash flow

	2022 £m	2021 £m
CAPITAL EXPENDITURE		
Purchase of intangible assets	177	155
Purchase of contract fulfilment assets	218	231
Purchase of property, plant and equipment	282	228
Investment in contract prepayments	64	40
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	(37)	(44)
Capital expenditure	704	610

	2022 £m	2021 £m
UNDERLYING OPERATING CASH FLOW		
Net cash flow from operating activities	1,596	1,171
Purchase of intangible assets	(177)	(155)
Purchase of contract fulfilment assets	(218)	(231)
Purchase of property, plant and equipment	(282)	(228)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	37	44
Repayment of principal under lease liabilities	(152)	(153)
Share of results of joint ventures and associates	45	31
Add back: Interest paid	96	121
Add back: Net tax paid	332	200
Add back: Post-employment benefit obligations net of service costs	7	8
Add back: Cash payments related to cost action programme and COVID-19 resizing costs	57	186
Add back: Acquisition transaction costs	10	10
Underlying operating cash flow	1,351	1,004

	2022 £m	2021 £m
UNDERLYING OPERATING CASH FLOW CONVERSION		
Underlying operating cash flow	1,351	1,004
Underlying operating profit	1,590	811
Underlying operating cash flow conversion (%)	85.0%	123.8%

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13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

	2022 £m	2021 £m
FREE CASH FLOW		
Net cash flow from operating activities	1,596	1,171
Purchase of intangible assets	(177)	(155)
Purchase of contract fulfilment assets	(218)	(231)
Purchase of property, plant and equipment	(282)	(228)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	37	44
Purchase of other investments	(42)	(20)
Proceeds from sale of other investments	3	3
Dividends received from joint ventures and associates	51	28
Interest received	10	5
Repayment of principal under lease liabilities	(152)	(153)
Dividends paid to non-controlling interests	(3)	–
Free cash flow	823	464

	2022 £m	2021 £m
UNDERLYING FREE CASH FLOW		
Free cash flow	823	464
Add back: Cash payments related to cost action programme and COVID-19 resizing costs	57	186
Add back: Acquisition transaction costs	10	10
Underlying free cash flow	890	660

	2022 £m	2021 £m
UNDERLYING FREE CASH FLOW CONVERSION		
Underlying free cash flow	890	660
Underlying operating profit	1,590	811
Underlying free cash flow conversion (%)	56.0%	81.4%

	2022 £m	2021 £m
UNDERLYING CASH TAX RATE		
Tax received	31	29
Tax paid	(363)	(229)
Net tax paid	(332)	(200)
Underlying profit before tax	1,490	698
Underlying cash tax rate (%)	22.3%	28.7%

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

14 EXCHANGE RATES

	2022	2021
AVERAGE EXCHANGE RATE FOR THE YEAR¹		
Australian Dollar	1.80	1.83
Brazilian Real	6.72	7.35
Canadian Dollar	1.64	1.73
Chilean Peso	1,084.21	1,019.64
Danish Krone	8.76	8.52
Euro	1.18	1.15
Japanese Yen	158.27	147.07
Norwegian Krone	11.83	11.91
Swedish Krona	12.28	11.68
Turkish Lira	18.45	11.07
UAE Dirham	4.70	5.02
US Dollar	1.28	1.37
CLOSING EXCHANGE RATE AT 30 SEPTEMBER¹		
Australian Dollar	1.74	1.87
Brazilian Real	6.04	7.35
Canadian Dollar	1.53	1.71
Chilean Peso	1,069.34	1,095.13
Danish Krone	8.47	8.65
Euro	1.14	1.16
Japanese Yen	161.58	150.44
Norwegian Krone	12.16	11.77
Swedish Krona	12.39	11.80
Turkish Lira	20.69	11.98
UAE Dirham	4.10	4.95
US Dollar	1.12	1.35

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.

Forward-looking statements

Certain information included in this Announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, the direct and indirect future impacts and implications of public health crises such as the coronavirus COVID-19 on the economy, nationally and internationally, and on the Group, its operations and prospects; disruptions and inefficiencies in supply chains (such as resulting from the war in Ukraine); future domestic and global political, economic and business conditions (such as inflation or the UK's exit from the EU); projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans and expected expenditures and divestments; risks associated with changes in economic conditions, levels of economic growth and the strength of the food and support services markets in the jurisdictions in which the Group operates; fluctuations in food and other product costs and labour costs; and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements in this Announcement are not guarantees of future performance. All forward-looking statements in this Announcement are based upon information known to the Company on the date of this Announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements when making their investment decisions. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation or warranty that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this Announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.