





### Strategic report

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Visit our website for related information  
[www.compass-group.com](http://www.compass-group.com)



# Compass is the world's leading food service company

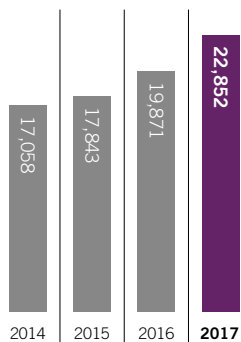
Every day we provide food to millions of people around the world. The rigorous execution of our strategy continues to deliver shareholder value. And given the structural growth potential in food services globally, we remain positive about the Company's future.

## Our role

As the industry leader, we have an important role in society for the long term. We create opportunities for our people to achieve their greatest potential and enrich their lives. We promote healthy and nutritious food offers for our clients and consumers. Together with our supply chain partners, we set global standards to ensure we consistently source our food responsibly and sustainably.

# 2017 was another year of progress

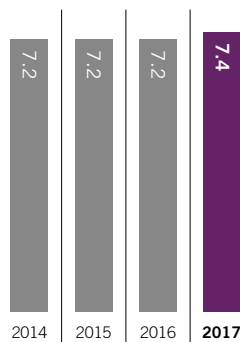
**UNDERLYING REVENUE**  
**£22,852m**



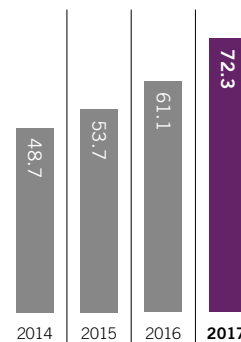
**UNDERLYING OPERATING PROFIT**  
**£1,705m**



**UNDERLYING OPERATING MARGIN**  
**7.4%**



**UNDERLYING BASIC EARNINGS PER SHARE**  
**72.3p**

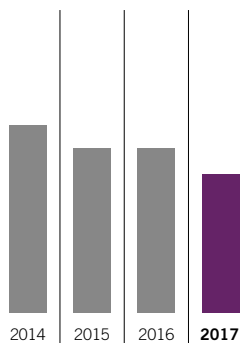


Throughout the Strategic Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more useful information to shareholders.

All underlying measures are defined in the glossary of terms on page 196. A summary of the adjustments from statutory to underlying results is shown on page 161 and further detailed in the consolidated income statement (page 107), reconciliation of free cash flow (page 112), note 1, segmental reporting (pages 120 to 123) and note 5, tax (pages 127 and 128).

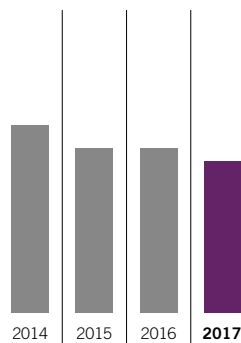
**GLOBAL LOST TIME INCIDENT FREQUENCY RATE**  
**-26%**

(since 2014)



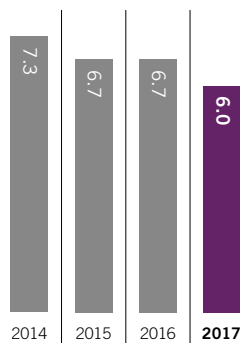
**GLOBAL FOOD SAFETY INCIDENT RATE**  
**-14%**

(since 2014)



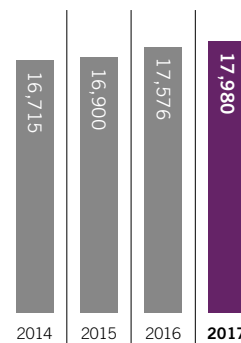
**GREENHOUSE GAS INTENSITY RATIO**  
**-18%**

(since 2014)

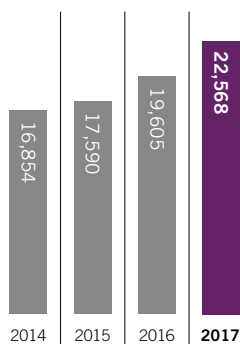


**NUMBER OF SITES OFFERING HEALTHY EATING PROGRAMMES**  
**+8%**

(since 2014)



STATUTORY  
REVENUE  
**£22,568m**



STATUTORY  
OPERATING PROFIT  
**£1,665m**



DIVIDEND  
PER SHARE  
**33.5p**



STATUTORY BASIC  
EARNINGS PER SHARE  
**71.3p**



BUSINESS  
BENCHMARK  
ON FARM ANIMAL  
WELFARE

**Tier 4**

(2016)

CARBON  
DISCLOSURE  
PROJECT  
SCORE 2017

**Leadership  
A-**

(2016: Leadership A-)

CODE OF BUSINESS  
CONDUCT NEW  
APPROVED SUPPLIER  
SIGNATORIES  
CONTRACTED  
DURING 2017

**100%**

(2016: 100%)

WOMEN  
IN GLOBAL  
LEADERSHIP  
TEAM

**28%**

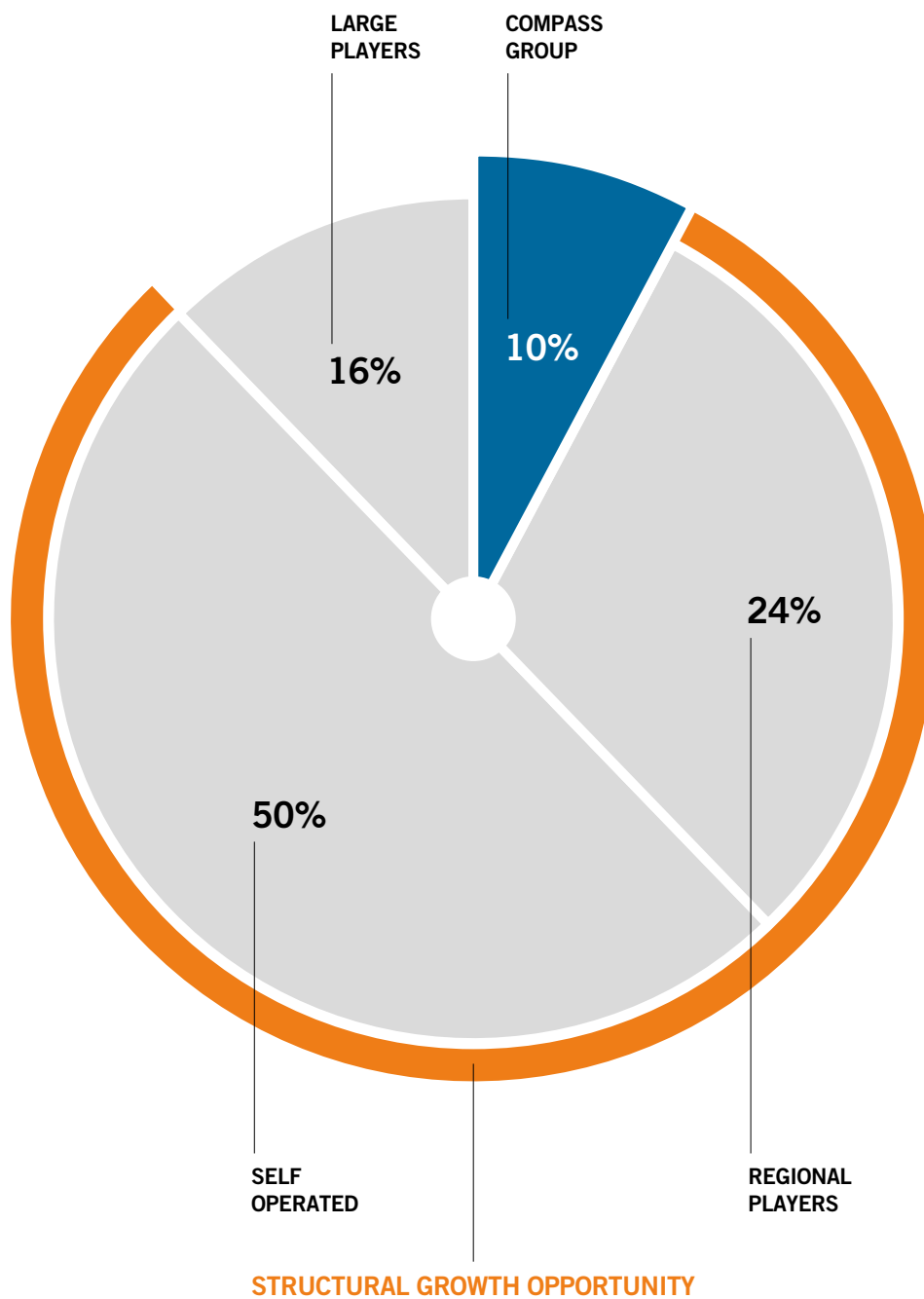
(2016: 26%)



## The global leader

We estimate that the addressable global food services market is currently worth around £200 billion. We have around a 10% share of that market by sales which makes us the leading global provider. Given that approximately 75% of the market is serviced by regional players or in-house providers, we believe that there is a significant structural growth opportunity for us.

# Global food services market



Numbers relating to market size and penetration rates are based on management estimates and a range of external data.



# Significant structural growth opportunity across our sectors and markets

The market for food and support services continues to offer significant growth potential as we drive outsourcing and deliver a strong proposition across our sectors and regions.

Compass provides outsourced food and support services in around 50 countries in a market worth over £400 billion (comprising approximately £200 billion food service and £200 billion support services). The five sectors in which Compass operates are: Business & Industry; Healthcare & Seniors; Education; Sports & Leisure and Defence, Offshore & Remote. All five sectors continue to offer significant opportunities for growth.

Food service remains at the core of the Compass offer. Business & Industry accounts for around 40% of this value, and this important sector continues to offer attractive growth opportunities. In more developed markets where outsourcing rates are routinely in excess of 60%, our combination of scale, efficiencies and first class service delivery supports continued revenue growth. In more emerging markets, outsourcing rates are still only around 10%, providing an enormous opportunity for future growth in our core sector.

The Healthcare & Seniors and Education sectors also continue to grow, with less than half of the addressable global market currently outsourced. We are developing operational excellence in areas such as our proposition for hospital visitors and nutritional meal planning in schools and, by sharing this expertise, we can better serve our clients and consumers across multiple markets.

Sports & Leisure is a highly outsourced sector with a global outlook in which we benefit from our strong reputation across key markets.

The Defence, Offshore & Remote sector offers significant opportunities to build lasting strategic relationships with large local and international operators. Creating strong client relationships allows us to respond positively to tougher market conditions. For example, in the basic commodities sector where we have leveraged our cost base and changed our offer to meet our clients' needs and have retained business in the face of real budgetary pressure.

Support services remains an important market for Compass, particularly in Healthcare & Seniors and Defence, Offshore & Remote. In these sectors, we are recognised for fulfilling the needs of clients who require excellent services with uncompromising quality.

In all the markets and regions in which Compass operates, we continue to build our business and our reputation based on our ongoing focus on health and safety, the environment and our firm commitment to responsible corporate practices.

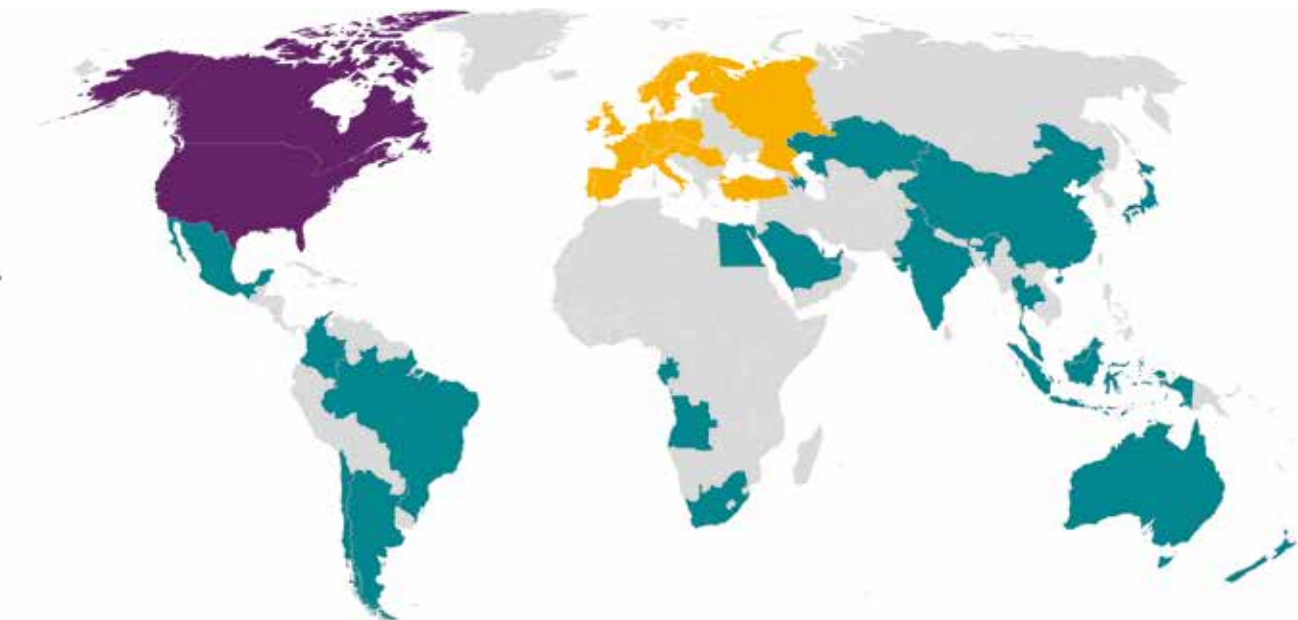
# Focused on food

Food is our core competence. We create value for our customers by providing a wide range of innovative and healthy dining solutions in a sustainable way.



## A TRULY INTERNATIONAL BUSINESS

We manage our business in three geographic regions. Our increasing scale allows us to achieve our goal of being the lowest cost, most efficient provider of food and support services. Scale is a benefit in terms of food procurement, labour management and back office costs. It underpins our competitiveness and enables us to deliver sustainable growth over time.



### **NORTH AMERICA** **UNDERLYING REVENUE**

**£13,322M**  
(2016: £11,198m)  
**58.3%**  
of Group total

### **EUROPE** **UNDERLYING REVENUE**

**£5,911M**  
(2016: £5,458m)  
**25.9%**  
of Group total

### **REST OF WORLD** **UNDERLYING REVENUE**

**£3,619M**  
(2016: £3,215m)  
**15.8%**  
of Group total

# Understanding our clients

The global food services market is very large and disparate. That is why we segment the market into various sectors and sub-sectors using our portfolio of B2B brands. It enables us to be closer to our clients and consumers to better understand their different needs. In this way, we can create innovative, bespoke offers that meet their specific requirements and, in doing so, truly differentiate ourselves.

## OUR BRANDS

### BUSINESS & INDUSTRY — 39% OF GROUP UNDERLYING REVENUE

We provide a choice of quality, nutritious and well balanced food for employees during their working day. In addition, where clients seek broader service offerings, we can deliver a range of support services to the highest standard, and at the best value.



### HEALTHCARE & SENIORS — 23% OF GROUP UNDERLYING REVENUE

We are specialists in helping hospitals in the public and private sectors on their journey of managing efficiency and enhancing quality across a range of food and support services. We have an increasing presence in the growing senior living market.



### EDUCATION — 18% OF GROUP UNDERLYING REVENUE

From kindergarten to college, we provide fun, nutritious dining solutions that help support academic achievement at the highest levels. We educate young people on how to have a happy, safe and healthy lifestyle while contributing to a sustainable world.



### SPORTS & LEISURE — 12% OF GROUP UNDERLYING REVENUE

Operating at some of the world's most prestigious sporting and leisure venues, exhibition centres, visitor attractions and major events, we have an enviable reputation for providing outstanding hospitality and true service excellence.



### DEFENCE, OFFSHORE & REMOTE — 8% OF GROUP UNDERLYING REVENUE

Through our established health and safety culture, we are a market leader in providing food and support services to major companies in the oil and gas and mining and construction industries. For our defence sector clients, we are a partner that runs efficient operations outside areas of conflict.









# **We act responsibly**

We seek to achieve our strategic goals in a sustainable way with emphasis on where we believe we can make the most positive social impact, whilst consistently delivering value for all our stakeholders in the long term.

# Consistent performance



I'm delighted to report another excellent year for Compass. We continue to pursue our clear and focused strategy, which has again delivered a strong performance for shareholders, and we remain positive about the future opportunities we see.

I'd like to take this opportunity to thank everyone who works for Compass for their hard work and dedication, which are fundamental to our ongoing success.

2017 was another excellent year for Compass. We continue to pursue our clear and focused strategy, which has again delivered sustainable organic growth and returns for shareholders. North America performed strongly, and revenues in both Europe and Rest of World accelerated in the second half of the year as expected. We improved margins by driving further efficiencies through the business, aided by the end of the restructuring plan in Offshore & Remote. Details of our operational and financial performance can be found on pages 14 to 33. This performance reaffirms the Board's confidence in the effectiveness of our business model and strategy, both of which have been central to our long term success (see pages 14 to 17).

### SHAREHOLDER RETURNS

As a result of our strong performance, the Board is recommending a 5.7% increase in the final dividend for the year of 22.3 pence per share (2016: 21.1 pence per share). This gives a total dividend for the year of 33.5 pence per share (2016: 31.7 pence per share), an increase of 5.7%. The final dividend will be paid on 26 February 2018 to shareholders on the register on 19 January 2018.

In addition to the ordinary dividend, and as a result of the Group's robust cash generation, we paid a £1 billion special dividend in July and bought back £19 million in shares during the year. We remain committed to maintaining strong investment grade credit ratings and will continue to return surplus cash to shareholders and to target net debt/EBITDA of around 1.5x.

### OUR PEOPLE

At Compass, we owe our success to our 550,000+ employees all over the world. I would like to thank them for their commitment and hard work during the year. When I visit the business, I am always impressed by their vast experience and unrelenting focus on our clients and consumers. It is then easier to understand why we've been so successful and, as importantly, why we expect the success to continue.

This was very much in evidence when, as a Board, we visited our award-winning US subsidiary Bon Appétit, in Silicon Valley. It services the premium and high end of the market and is regarded by independent experts as one of the foremost ground-breaking companies in the food service industry. Bon Appétit works with some of the most demanding and innovative clients in the world and their success is an inspiration to all of us to keep raising our game across all our sectors and sub-sectors.

### CORPORATE RESPONSIBILITY

Our people are also central to our ability to achieve our goals in a responsible and sustainable manner. Two years ago, we sharpened our approach to Corporate Responsibility to support the longer term ambition of our business and stakeholders. As part of this strategic review, we agreed to proactively support the UN Sustainable Development Goals (SDGs) and selected the goals where we believe that we can make the most positive social impact. There is still much more to do but I am pleased with the progress that we have made so far. See pages 37 to 41 and [www.compass-group.com](http://www.compass-group.com) for more about our activities.

## GOVERNANCE AND THE BOARD

Integrity and trust are more important than ever in today's business world. One of my key responsibilities as Chairman is to set the tone for the company and ensure good governance (see pages 42 to 46). In this I have been extremely well supported by the members of the Board. They bring balance and a wealth of skills and experience to our organisation which complement the talents of our executive team. I thank them all for their valuable contribution as we continue to uphold the high standards expected of us, to maintain oversight of the strategic, operational and compliance risks across the Group and to define our path to success.

### APPOINTMENT OF NEW CHIEF EXECUTIVE

In September, we announced a significant change in the Group's Board. Richard Cousins, who has been an outstanding Chief Executive for the past 11 years, will step down from his role on 31 March 2018 and retire from the Group on 30 September 2018. It has been a huge pleasure to work with Richard, and on behalf of the Board I want to thank him for his extraordinary contribution to the Group. Richard has transformed Compass into a sustainable, industry-leading organisation that delivers excellent food services to our customers, attracts and develops great people and generates significant returns for shareholders.

I am delighted that Richard will be succeeded by Dominic Blakemore, our former Chief Operating Officer, Europe. Dominic became Deputy Chief Executive Officer on 1 October 2017, and will take over as Group Chief Executive Officer on 1 April 2018. In the ensuing period, he and Richard will work closely to ensure a smooth transition.

Dominic's appointment was the result of a rigorous succession process. He is exceptionally well qualified to lead the business, and has already contributed significantly to the Group, for four years as Group Finance Director and, for the past two years, managing our business in Europe. Dominic has the leadership skills combined with the industry and operational experience to lead Compass to continued future success. He also benefits from the support of a very strong senior management team and together they will continue to build on the Group's strong track record under Richard's tenure. The Board looks forward to working with Dominic in his new role.

### SUMMARY AND OUTLOOK

Compass had another strong year. North America continues to deliver excellent growth, we are continuing to make progress in Europe and in Rest of World, with trends in our commodity related business improving.

We continue to drive operating efficiencies around the business which, combined with the end of the restructuring in our Offshore & Remote business, resulted in margin improvement of 20 basis points in the period.

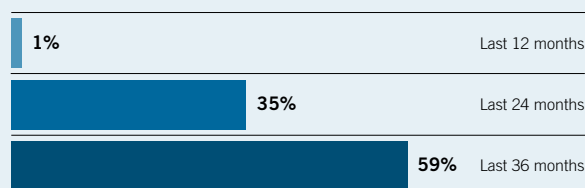
Given our excellent cash generation and the strength of the business, this year we returned £1.6 billion to shareholders via ordinary and special dividends and share buybacks. This reflects our commitment to return surplus cash to shareholders whilst maintaining an efficient balance sheet.

### POSITION IN FTSE 100 INDEX AS AT 30 SEPTEMBER 2017

# 25

(2016: 24)

### COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 OVER LAST 3 YEARS (%)



### COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 INDEX (£)



Our expectations for FY2018 are positive, with growth and margin improvement weighted to the second half. The pipeline of new contracts is encouraging and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress.

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

**Paul Walsh**  
Chairman

21 November 2017

# Our business model in action



## Our values

Our values set out the things we collectively believe in. They guide the way we conduct our business and the way we behave.

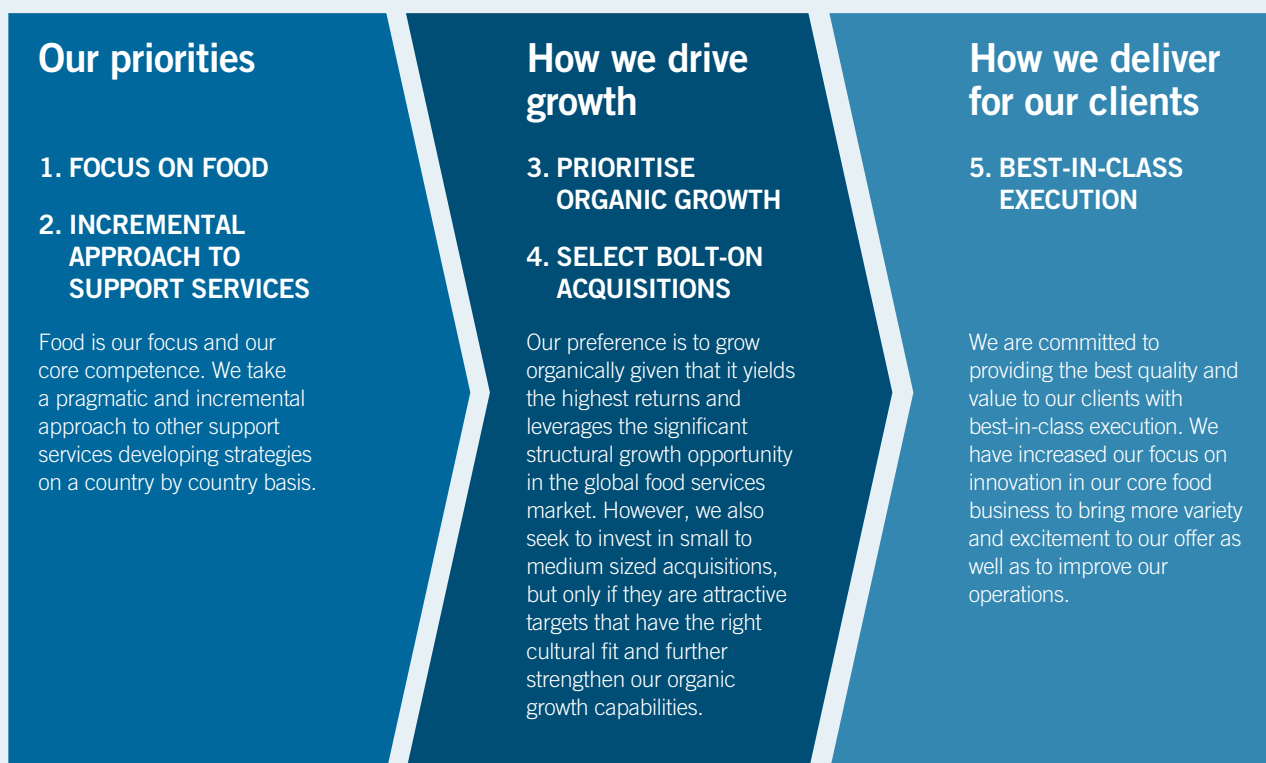
### **OPENNESS, TRUST AND INTEGRITY**

We set the highest ethical and professional standards at all times. We want all our relationships to be based on honesty, respect, fairness and a commitment to open dialogue and transparency.



# Our strategy

We have a disciplined approach to long term growth and remain focused on delivering shareholder value.



## PASSION FOR QUALITY

We are passionate about delivering superior food and service and take pride in achieving this. We look to replicate success, learn from mistakes and develop the ideas, innovation and practices that will help us improve and lead our market.

## WIN THROUGH TEAMWORK

We encourage individual ownership, but work as a team. We value the expertise, individuality and contribution of all colleagues, working in support of each other and readily sharing good practice, in pursuit of shared goals.

## RESPONSIBILITY

We take responsibility for our actions, individually and as a Group. Every day, everywhere we look to make a positive contribution to the health and wellbeing of our customers, the communities we work in and the world we live in.

## CAN-DO SAFELY

We take a positive and commercially aware 'can-do' approach to the opportunities and challenges we face; we always put safety first in everything we do.

# Long term stakeholder value

Our model for creating value has remained unchanged for years. Its longevity is down to its simplicity and proven success.

We prioritise organic growth and concentrate resources on driving new business and retention (see MAP 1 below) and consumer sales (MAP 2). We focus relentlessly on costs: this includes managing the cost of food (MAP 3), in unit labour costs and overheads (MAP 4) and what we term above unit overheads (MAP 5). In large markets our size and scale enable us to have a lower food cost structure and to make better use of overheads. Efficiency and effectiveness are key to improving margins.

This focus on organic revenue growth and margins helps grow our earnings and cash flow. Our priorities for cash are clear and simple. We invest to support organic revenue growth of 4-6% and to generate further efficiencies to modestly improve margins. Capital expenditure tends to be 2.5-3% of sales. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two.

Having invested to support and maintain the long term growth prospects of the business, we reward our shareholders with a dividend which grows in line with constant currency earnings. Any surplus capital that is not reinvested in the business we return to shareholders via share buybacks or special dividends to maintain net debt/EBITDA at 1.5x.

We have a community of stakeholders that includes clients, consumers, employees and shareholders as well as NGOs and government agencies. All have an interest in our success. And because their opinions and actions can impact our ability to execute our strategy and conduct our business, we engage with them, taking into account their feedback and incorporating it, to the extent we can, into what we do.



We use the Management and Performance (MAP) framework across the business.

#### MAP 1: CLIENT SALES AND MARKETING

MAP 1 is about winning new business and retaining our existing clients. We invest in sales and retention and are increasingly sectorising and sub-sectorising the business around the world to allow us to get closer to our customers. This approach allows us to develop bespoke offers that best meet our clients' needs.

#### MAP 2: CONSUMER SALES AND MARKETING

Like for like revenue consists of both volume and price. It is heavily influenced both by the number of people at a client's site and by macroeconomic conditions. We are making good progress with intelligent marketing programmes and training schemes as we work hard to attract and satisfy our customer base with strong consumer propositions.

#### MAP 3: COST OF FOOD

Food makes up around one third of our costs. In addition to the benefits of our scale in food procurement, we are able to manage food costs through careful menu planning and by rationalising the number of products we buy and the suppliers we buy them from.

#### MAP 4: IN UNIT COSTS

In unit costs are made up predominantly of labour. We focus on getting the right people in the right place at the right time. By using labour scheduling techniques and improving productivity, we are able to deliver the optimum level of service in the most efficient way.

#### MAP 5: ABOVE UNIT OVERHEADS

Having reduced costs considerably when MAP was first introduced in 2006 by creating a simpler organisational model with fewer layers of management and less bureaucracy, we now strive to leverage those gains by maintaining overheads low whilst we continue to grow revenue.

## HOW WE CREATE VALUE

### INVESTMENT

Capex  
2.5-3% of sales  
Bolt-on M&A

ORGANIC REVENUE  
GROWTH  
in the range  
of 4-6%

map  
1 & 2

MARGINS  
opportunities remain to  
modestly improve margins

map  
3, 4 & 5

FREE CASH FLOW  
net debt/EBITDA 1.5x

SHAREHOLDER RETURNS  
ordinary and special dividends  
and share buybacks

## WHO WE CREATE VALUE FOR

### CLIENTS AND CONSUMERS

We are a B2B (business-to-business) organisation and our clients range from large corporations and hospitals to schools, universities and sports arenas. However, our food is consumed by the employees, students, patients and sports fans that come to our restaurants and cafés, so there is also a B2C (business-to-consumer) aspect to our business. Across this extraordinarily diverse base, we are conscious of the need to offer all of our clients 'value' in terms of cost, quality, health and wellness and innovation.

We work closely with clients and consumers to promote and drive a nutritional health and

wellness agenda that suits the needs of their specific organisation and paves the way for healthier, more balanced lifestyles. We are also working towards the United Nations Sustainable Development Goal (SDG) 3: to ensure healthy lives and promote wellbeing for all at all ages.

In 2010 our target was that, by 2016, 100% of our units would provide Balanced Choices or similar healthy eating programmes. We did not fully achieve that target, but we see year-on-year improvement in our performance (69% in 2017 vs 67% in 2016) and will continue to work towards achieving this through 2018.

### EMPLOYEES

Compass is a people-powered business. Our 550,000+ employees are fundamental to delivering high quality food and service and maintaining our reputation and we are proud to have been included in the Forbes Global 2000 – World's Best Employer list for 2017.

We are committed to ensuring their safety as well as promoting diversity and inclusion and respecting human rights. We support the United Nations SDG Goal 5, to achieve gender equality and empower all women and girls, and SDG Goal 8, to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

All our sites work with local communities to offer fair employment and ensure that opportunities for internal promotion are open to all. We conduct regular employee engagement surveys that follow a similar format to allow comparison between different markets. They also include specific

questions to allow for local and cultural priorities. The results of these surveys form the basis of tailored action plans to address the issues raised.

Women make up 55% of our global workforce and 28% of our global leadership team. We are resolved to empower all our female employees as we know this leads to increased productivity, better organisational effectiveness and high levels of customer satisfaction.

### SUPPLIERS

Each year we spend around £6 billion on food. We collaborate with our partners throughout the entire supply chain to deliver sustainable, scalable and secure solutions for food and its production. We interact with our suppliers through one-on-one meetings, field and factory visits, and third party supplier audits, to ensure that we source our food and non-food products in a transparent and sustainable manner.

between sustainable operations and long term financial success. We engage with the investment community in various ways including presentations, one-to-one and group meetings, as well as site visits.

### INVESTORS

Open and proactive engagement is our way of building and maintaining relationships with the investment community. We aim to provide fair, balanced and understandable information about our strategy, operations, risks and opportunities. Within this framework we promote the links

### NGOS, GLOBAL PARTNERSHIPS & INITIATIVES, LOCAL COMMUNITIES

As a global business, we recognise the critical importance of engaging with our clients, suppliers and other stakeholders such as NGOs, to improve the positive contribution that we can make through global partnerships and initiatives that help bring about change, more sustainable business practices and scale.

We have adopted the United Nations SDGs as a helpful framework to encourage such multi-stakeholder partnerships (SDG17) and developed a number of mutually beneficial collaborations. These include our partnership with Compassion in World Farming and other farm animal welfare bodies, which has brought about third party insights and expertise that have helped us to develop a policy and framework designed to deliver enhanced farm animal welfare standards throughout our global supply chain. Working together, we have identified opportunities to engage with our suppliers, be more ambitious in our sourcing commitments and achieve continuous improvement. One significant outcome from our engagement with these partners has been a global commitment to source only cage free eggs by 2025; this includes shell eggs and liquid egg.

# Delivering continued growth



Compass had another strong year. North America continues to deliver excellent growth, we are continuing to make progress in Europe and in Rest of World, with trends in our commodity related business improving.

## 2017 PERFORMANCE

Revenue for the Group grew by 4.0% on an organic basis. New business wins were 8.7% driven by strong MAP 1 (client sales and marketing) performance in all regions, our retention rate was 94.3% as a result of our ongoing focus and investment, and like for like revenue grew by 1.0% reflecting sensible price increases partially offset by weak volumes in our commodity related business. On a statutory basis, revenue grew by 15.1%, of which 11.3% was the benefit of currency translation.

Underlying operating profit increased by 5.6% on a constant currency basis. Operating profit margin increased by 20 basis points as we continue to drive efficiencies across the business using our Management and Performance (MAP) framework and foreign exchange. We also benefitted from the end of the restructuring plan in the Emerging Markets and Offshore & Remote last year and the absence of these costs this year. We have maintained our focus on MAP 3 (cost of food) with initiatives such as menu planning and supplier rationalisation, as well as continually optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads). These efficiencies combined with modest pricing increases enabled us to offset inflation pressures and reinvest to support the exciting growth opportunities we see around the world. On a statutory basis, operating profit grew by 18.2%, of which 11.3% was the benefit of currency translation.

## RETURNS TO SHAREHOLDERS

Returns to shareholders continue to be an integral part of our business model. As a result of continued strong cash flow generation, and limited M&A this year, we paid a special dividend of £1 billion (61.0 pence per share) in July and declared an annual dividend of 33.5 pence per share (up 5.7%). We have also bought back £19 million of shares. Our leverage policy remains unchanged: to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

## GROUP STRATEGY

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

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



## GROUP'S GEOGRAPHIC SPREAD

We have a truly international business, with operations in around 50 countries.

North America (58% of Group revenue) is likely to remain the principal growth engine for the Group. We have a market leading business, which delivers high levels of growth by combining the cost advantage of our scale with a segmented client facing sector approach. The outsourcing culture is vibrant and the addressable market is significant.

The fundamentals of our businesses in Europe (26% of Group revenue) are good. Our investment in MAP 1 sales and retention has returned the region to growth and with the creation of sub-regional business units, we continue to see opportunities to deliver efficiencies and make our operations more competitive.

Rest of World (16% of Group revenue) offers excellent long term growth potential. Our largest markets are Australia, Japan and Brazil, whilst India and China have strong long term growth potential. Lower commodity prices and a weak macroeconomic backdrop have impacted our Offshore & Remote business and some of our emerging markets, but trends are beginning to improve. We have concluded a restructuring of our business to adapt to the changing market environment and remain excited about the attractive long term growth prospects of the region.

## COMPASS' COMPETITIVE ADVANTAGES

### SECTORISED APPROACH

The global food services market is very large and disparate and we find that segmenting the market into various sectors and sub-sectors using our portfolio of B2B brands allows us to operate more effectively. It allows us to be closer to our clients and consumers and better understand their different needs. In this way, we can create innovative, bespoke offers that meet their requirements, and in doing so truly differentiate ourselves.

### SCALE

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

### MAP CULTURE

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

## USES OF CASH AND BALANCE SHEET PRIORITIES

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

### 2017 SUMMARY

Compass had another strong year. North America continues to deliver excellent growth, we are continuing to make progress in Europe and in Rest of World, with trends in our commodity related business improving.

We continue to drive operating efficiencies around the business which, combined with the end of the restructuring in our Offshore & Remote business, resulted in margin improvement of 20 basis points in the period.

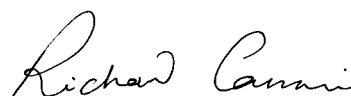
Given our excellent cash generation and the strength of the business, this year we returned £1.6 billion to shareholders via ordinary and special dividends and share buybacks. This reflects our commitment to return surplus cash to shareholders whilst maintaining an efficient balance sheet.

### 2018 OUTLOOK

Our expectations for FY2018 are positive, with growth and margin improvement weighted to the second half. The pipeline of new contracts is encouraging and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress.

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

Finally, I'd like to thank all my colleagues within Compass. The last 11 years have been very rewarding. Together, we have built the foundations of a truly great company, and I am confident that Dominic will take Compass onto continued future success.



**Richard Cousins**  
Group Chief Executive

21 November 2017

# North America

## Key highlights

### UNDERLYING REVENUE

**£13,322m**

(2016: £11,198m)

### UNDERLYING OPERATING MARGIN

**8.1%**

(2016: 8.1%)

### ORGANIC REVENUE GROWTH

**+7.1%**

(2016: +8.1%)

### GROUP UNDERLYING REVENUE CONTRIBUTION

**58.3%**

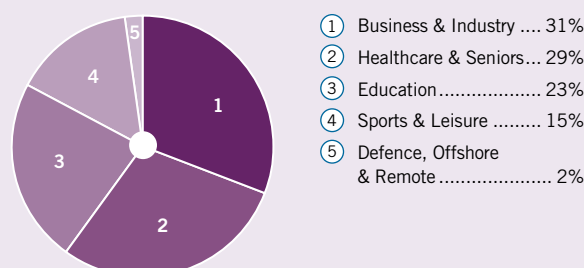
(2016: 56.3%)

### UNDERLYING OPERATING PROFIT

**£1,082m**

(2016: £908m)

### UNDERLYING REVENUE BY SECTOR (%)



We have had another strong performance from our North American business with organic revenue growth of 7.1%. This was driven by good new business wins and an excellent retention rate at 96%. Like for like revenues were positive across the business reflecting modest pricing and flat volumes – with the exception of the Offshore & Remote sector which remains challenging.

Solid organic growth in our Business & Industry sector was driven by strong new business and excellent retention. New contract wins include Costco as well as additional business with Qualcomm Inc.

In the Healthcare & Seniors sector, organic revenue growth was driven by double digit new business and some like for like growth. New contract wins include Mayo Foundation, University of Cincinnati Health System, Cleveland Clinic and Arkansas Children's Hospital.

Excellent retention in our Education sector has contributed to the delivery of solid organic revenue growth along with contract wins including the University of Houston and Vassar College.

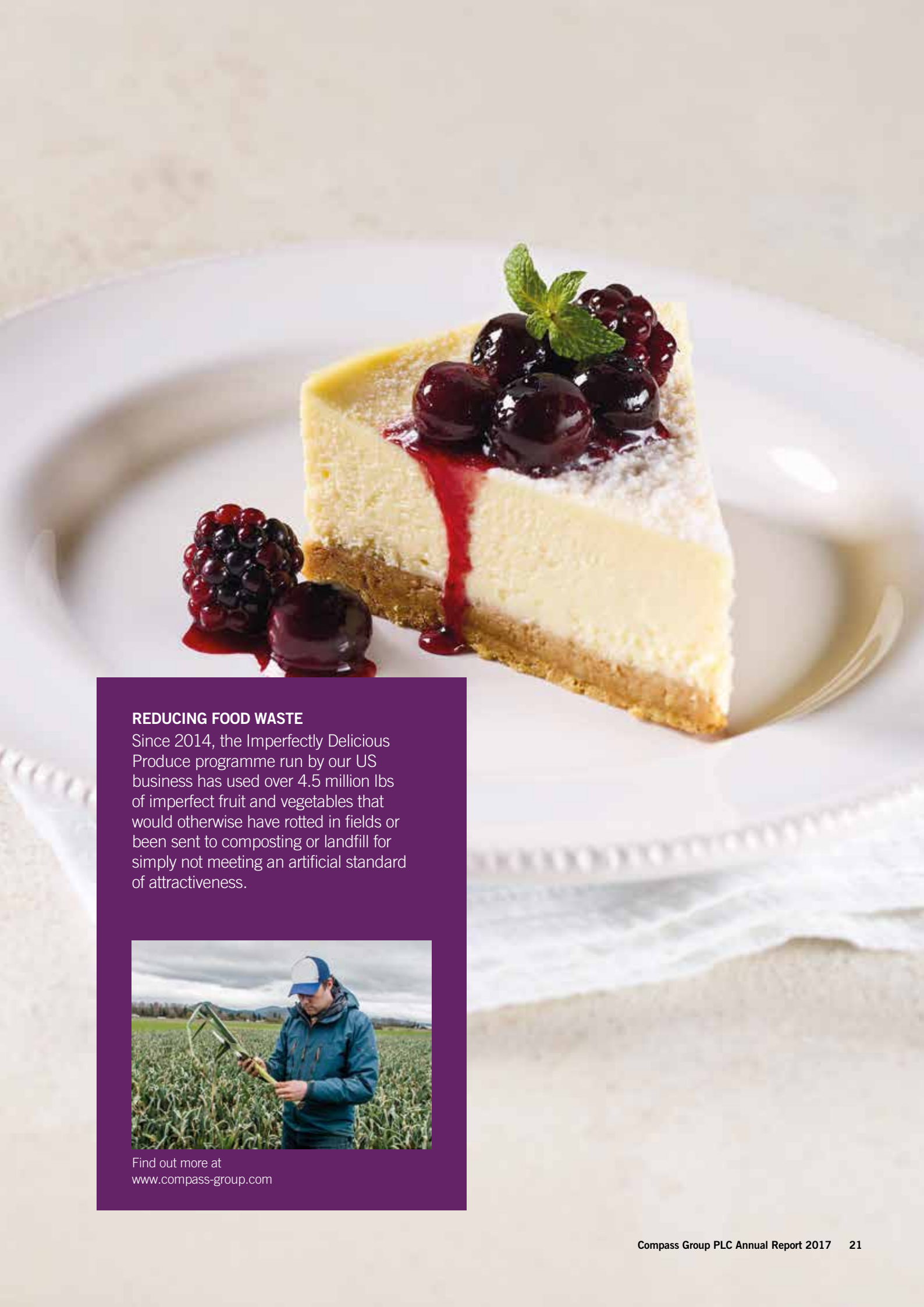
Our Sports & Leisure business had excellent retention of nearly 100%. Increased participation at some sporting events, with the benefit of additional playoffs, contributed to strong organic revenue growth. Contract wins include the George R. Brown Convention Center, Vivint Smart Home Arena, home of the Utah Jazz, and Smith's Ballpark, home of the Salt Lake Bees.

Offshore & Remote is small at circa 2% of revenues. It continued to decline in the year, with the second half of the year worsening due to client site closures, the impact of which will continue in 2018. Volume and pricing pressures also remain. However, some new contracts continue to be won including additional projects for Noble Drilling and Forbes Bros. Ltd.

Underlying operating profit of £1,082 million increased by 6.9% (£70 million) on a constant currency basis. The benefits generated by ongoing efficiency initiatives across MAPs 3 and 4, along with sensible price increases and leverage of the overhead base, were largely offset by the continued weakness in our Offshore & Remote business and above average labour inflation. As a result, the underlying operating margin for the year was unchanged.

## REGIONAL FINANCIAL SUMMARY

	UNDERLYING		CHANGE		
	2017	2016	REPORTED RATES	CONSTANT CURRENCY	ORGANIC
Revenue	<b>£13,322m</b>	£11,198m	19.0%	6.7%	7.1%
Operating profit	<b>£1,082m</b>	£908m	19.2%	6.9%	7.4%
Operating margin	<b>8.1%</b>	8.1%	–		
Region as a % of Group revenue	<b>58.3%</b>	56.3%			



### **REDUCING FOOD WASTE**

Since 2014, the Imperfectly Delicious Produce programme run by our US business has used over 4.5 million lbs of imperfect fruit and vegetables that would otherwise have rotted in fields or been sent to composting or landfill for simply not meeting an artificial standard of attractiveness.



Find out more at  
[www.compass-group.com](http://www.compass-group.com)

# Europe

## Key highlights

### UNDERLYING REVENUE

**£5,911m**

(2016: £5,458m)

### UNDERLYING OPERATING MARGIN

**7.2%**

(2016: 7.2%)

### ORGANIC REVENUE GROWTH

**+1.6%**

(2016: 2.8%)

### GROUP UNDERLYING REVENUE CONTRIBUTION

**25.9%**

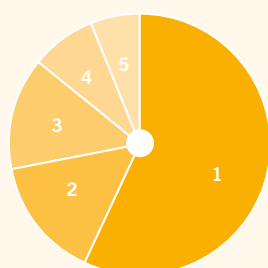
(2016: 27.5%)

### UNDERLYING OPERATING PROFIT

**£428m**

(2016: £394m)

### UNDERLYING REVENUE BY SECTOR (%)



- ① Business & Industry .... 57%
- ② Healthcare & Seniors... 15%
- ③ Education ..... 14%
- ④ Sports & Leisure ..... 8%
- ⑤ Defence, Offshore & Remote ..... 6%

Organic revenue growth for the region was 1.6% with growth improving as the year progressed. The performance was driven by good levels of new business in the UK and Turkey, partly offset by dull trading on the Continent, principally in France and Germany. Like for like revenues benefitted from some pricing but continued to be impacted by poor trading conditions in our North Sea oil & gas business.

Our improving new business performance reflects good levels of wins in the UK, Turkey and Iberia. New contracts include Colegios Mayores UCM in Spain and Oxford University in the UK. Contract extensions include Peugeot in France and Slovakia, Rabobank in the Netherlands, Premier Inn and Wimbledon both in the UK and Mercedes in Turkey.

Underlying operating profit grew by 1.2% (£5 million) on a constant currency basis. The ongoing focus on driving operational efficiencies and sensible pricing allowed us to support the higher levels of growth, and associated mobilisation costs. This was offset by lower volumes in the oil & gas business, and inflationary pressures, particularly unrecovered labour cost inflation in our UK support services business. As a result of our actions, we have maintained the underlying operating margin at 7.2%.

## REGIONAL FINANCIAL SUMMARY

	UNDERLYING		CHANGE		
	2017	2016	REPORTED RATES	CONSTANT CURRENCY	ORGANIC
Revenue	<b>£5,911m</b>	£5,458m	8.3%	1.5%	1.6%
Operating profit	<b>£428m</b>	£394m	8.6%	1.2%	1.2%
Operating margin	<b>7.2%</b>	7.2%	–		
Region as a % of Group revenue	<b>25.9%</b>	27.5%			





### **WOMEN IN OUR BUSINESS**

Our businesses in the UK and Turkey have set up Women in Food programmes to tackle the shortage of female chefs. By 2020, we expect that 50% of the chefs in our UK workplace will be female and in Turkey, the number of female colleagues in the workplace has already doubled over the last five years.



Find out more at  
[www.compass-group.com](http://www.compass-group.com)

# Rest of World

## Key highlights

### UNDERLYING REVENUE

**£3,619m**

(2016: £3,215m)

### UNDERLYING OPERATING MARGIN

**6.9%**

(2016: 6.8%)

### ORGANIC REVENUE GROWTH

**-2.5%**

(2016: -1.2%)

### GROUP UNDERLYING REVENUE CONTRIBUTION

**15.8%**

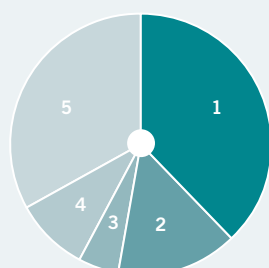
(2016: 16.2%)

### UNDERLYING OPERATING PROFIT

**£248m**

(2016: £218m)

### UNDERLYING REVENUE BY SECTOR (%)



- ① Business & Industry .... 38%
- ② Healthcare & Seniors... 15%
- ③ Education..... 5%
- ④ Sports & Leisure ..... 9%
- ⑤ Defence, Offshore & Remote ..... 33%

Organic revenue in our Rest of World region declined by 2.5%. Excluding the Offshore & Remote business, organic revenue grew by 3.0%. Offshore & Remote contracted by 14%, reflecting the continuing impact of the transition of construction contracts to production in Australia and continued weakness in our commodity related business around the region. However, the rate of decline has slowed in recent months and we expect this trend to continue into 2018.

As expected, our Australian Offshore & Remote business saw a slowdown in the rate of organic revenue decline to 14% in the second half of the year. Contracts continue to move from their construction to production phase and the ongoing pressures from lower volumes remain, however the number of site closures have reduced. Similar challenges continue to be seen in our non-Australian Offshore & Remote business, although trends are starting to improve. We continue to win and retain contracts at the RAPID site in Malaysia and Centinela in Chile.

The non-Offshore & Remote business continues to perform reasonably well across the region with several countries enjoying double digit growth, including India, China and some of our Spanish speaking Latin American businesses. Although the rate of decline has marginally slowed, Brazil remains challenging. New business wins include the Calvary Bruce Public Hospital in Australia, Fiat in Brazil, Apple Shenzhen in China, J-Village in Japan and Mercedes Benz in India. We continue to retain contracts, including the Kagoshima University Hospital in Japan, New York University Abu Dhabi, Roche in China and Prodeco Food in Colombia.

Overall, underlying operating profit declined by 2.0% (£5 million) on a constant currency basis. The underlying margin benefitted more than expected from last year's restructuring allowing for 10 basis points of margin improvement to 6.9%.

## REGIONAL FINANCIAL SUMMARY

	UNDERLYING		CHANGE		
	2017	2016	REPORTED RATES	CONSTANT CURRENCY	ORGANIC
Revenue	<b>£3,619m</b>	£3,215m	12.6%	(2.5)%	(2.5)%
Operating profit	<b>£248m</b>	£218m	13.8%	(2.0)%	(2.0)%
Operating margin	<b>6.9%</b>	6.8%	10bps		
Region as a % of Group revenue	<b>15.8%</b>	16.2%			





### **RECOGNISING DIVERSITY**

ESS has received the 2016 Workforce Innovation Award from the Australian Mines and Metals Association (AMMA) in recognition of creative and strategic efforts to overcome workforce challenges and deliver quality outcomes for communities and individuals in the resource industry.



Find out more at  
[www.compass-group.com](http://www.compass-group.com)

# Measuring progress

We track our performance against a mix of financial and non-financial measures, which we believe best reflect our strategic priorities of growth, efficiency and shareholder returns underpinned by safe and responsible working practices.

## KPI METRICS

Our strategic priorities are driven by our goal to deliver shareholder value and we use a number of financial KPIs to measure our progress. Growing the business and driving ongoing efficiencies are integral to our strategy. The importance of safety in everything we do is demonstrated by three non-financial performance indicators that we use across our global business.

### STRATEGIC FINANCIAL

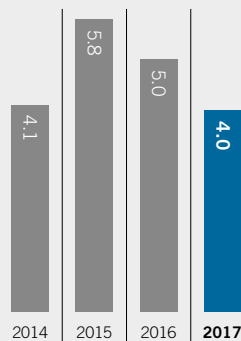
#### ORGANIC REVENUE GROWTH

4.0%

Organic revenue growth compares the underlying revenue delivered from continuing operations in the current year with that from the prior year, adjusting for the impact of acquisitions, disposals and exchange rate movements.

#### WHY WE MEASURE

Our organic revenue performance 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.



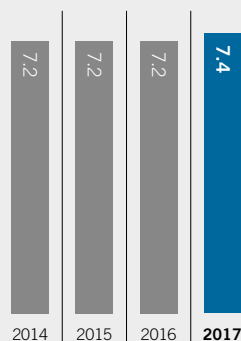
#### UNDERLYING OPERATING MARGIN

7.4%

Underlying operating margin divides the underlying operating profit before share of profit of associates by the underlying revenue.

#### WHY WE MEASURE

The operating profit margin is an important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.



### FINANCIAL

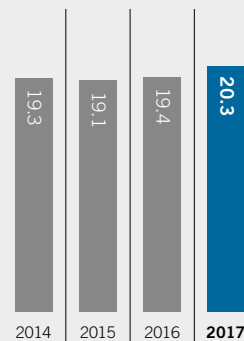
#### RETURN ON CAPITAL EMPLOYED (ROCE)

20.3%

ROCE divides the net operating profit after tax (NOPAT) by the 12 month average capital employed. NOPAT is calculated as underlying operating profit less operating profit of non-controlling interests, net of income tax at the underlying rate of the year.

#### WHY WE MEASURE

ROCE demonstrates how we have delivered against the various investments we make in the business, be it operational expenditure, capital expenditure or infill acquisitions.



### NON-FINANCIAL

#### HEALTH AND SAFETY LOST TIME INCIDENT FREQUENCY RATE

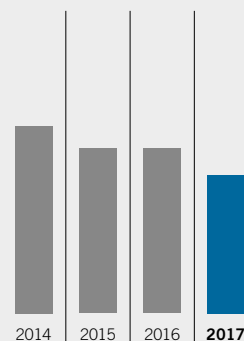
-26%

since 2014

Cases where one of our colleagues is away from work for one or more shifts as a result of a work related injury or illness.

#### WHY WE MEASURE

A reduction in lost time incidents is an important measure of the effectiveness of our Safety First culture. It also lowers rates of absenteeism and costs associated with work related injuries and illnesses.





The Group KPIs should be read in conjunction with the Strategy and Risk sections.

See pages 14 to 17 and 34 to 36 respectively

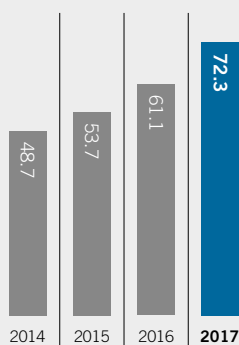
### UNDERLYING BASIC EARNINGS PER SHARE

Underlying basic earnings per share divides the underlying attributable profit by the weighted average number of shares in issue during the year.

#### WHY WE MEASURE

Earnings per share measures the performance of the Group in delivering value to shareholders.

## 72.3p



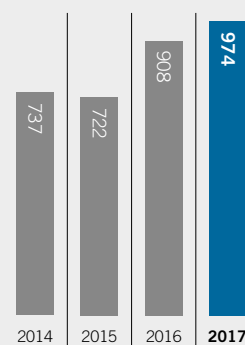
### UNDERLYING FREE CASH FLOW

Measures cash generated by continuing operations, after working capital, capital expenditure, interest and tax but before acquisitions, disposals, dividends and share buybacks.

#### WHY WE MEASURE

Measures the success of the Group in turning profit into cash through the careful management of working capital and capital expenditure. Maintaining a high level of cash generation supports our progressive dividend policy.

## £974m



### FOOD SAFETY FOOD SAFETY INCIDENT RATE

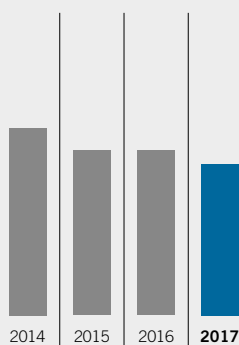
Cases of substantiated food safety incidents, including food borne illnesses.

#### WHY WE MEASURE

The Food Safety Incident Rate is a helpful measure of our ability to provide food that is safe and of the right quality to our consumers globally.

## -14%

since 2014



### ENVIRONMENT GHG INTENSITY RATIO

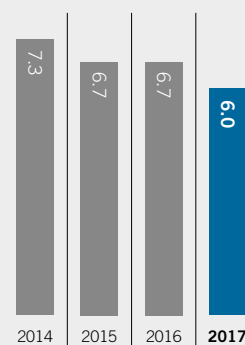
GHG intensity ratio relating to the top 20 countries, which represent 94% of total Group revenue.

#### WHY WE MEASURE

Since 2008, we have been focused on lowering our carbon emissions to reduce our impact on the environment and increase operational efficiency. We measure Greenhouse Gas emissions to assess our progress.

## -18%

since 2014





# Strong performance

2017 has been another strong year with good organic revenue growth of 4.0%, underlying margin delivery of 7.4% and an increase in free cash flow of 7.3%.



ORGANIC REVENUE GROWTH

**4.0%**

UNDERLYING MARGIN DELIVERY

**7.4%**

INCREASE IN FREE CASH FLOW

**7.3%**

## FINANCIAL SUMMARY

	2017 £M	2016 £M	INCREASE
<b>Revenue</b>			
Underlying at constant currency	<b>22,852</b>	22,017	3.8%
Underlying at reported rates	<b>22,852</b>	19,871	15.0%
Statutory	<b>22,568</b>	19,605	15.1%
Organic growth	<b>4.0%</b>	5.0%	
<b>Total operating profit</b>			
Underlying at constant currency	<b>1,705</b>	1,614	5.6%
Underlying at reported rates	<b>1,705</b>	1,445	18.0%
Statutory	<b>1,665</b>	1,409	18.2%
<b>Operating margin</b>			
Underlying at reported rates	<b>7.4%</b>	7.2%	20 bps
Statutory	<b>7.4%</b>	7.2%	20 bps
<b>Profit before tax</b>			
Underlying at constant currency	<b>1,591</b>	1,504	5.8%
Underlying at reported rates	<b>1,591</b>	1,344	18.4%
Statutory	<b>1,560</b>	1,321	18.1%
<b>Basic earnings per share</b>			
Underlying at constant currency	<b>72.3p</b>	68.4p	5.7%
Underlying at reported rates	<b>72.3p</b>	61.1p	18.3%
Statutory	<b>71.3p</b>	60.4p	18.0%
<b>Free cash flow</b>			
Underlying at reported rates	<b>974</b>	908	7.3%
<b>Full year dividend per ordinary share</b>			
	<b>33.5p</b>	31.7p	5.7%

## SEGMENTAL PERFORMANCE

	UNDERLYING REVENUE <sup>1</sup>		UNDERLYING REVENUE GROWTH		
	2017 £M	2016 £M	REPORTED RATES	CONSTANT CURRENCY	ORGANIC
North America	<b>13,322</b>	11,198	19.0%	6.7%	7.1%
Europe	<b>5,911</b>	5,458	8.3%	1.5%	1.6%
Rest of World	<b>3,619</b>	3,215	12.6%	(2.5)%	(2.5)%
Total	<b>22,852</b>	19,871	15.0%	3.8%	4.0%

	UNDERLYING OPERATING PROFIT <sup>1</sup>		UNDERLYING OPERATING MARGIN <sup>1</sup>	
	2017 £M	2016 £M	2017 %	2016 %
North America	<b>1,082</b>	908	<b>8.1%</b>	8.1%
Europe	<b>428</b>	394	<b>7.2%</b>	7.2%
Rest of World	<b>248</b>	218	<b>6.9%</b>	6.8%
Unallocated overheads	<b>(70)</b>	(65)		
Total before EM & OR restructuring	<b>1,688</b>	1,455	<b>7.4%</b>	7.3%
EM & OR restructuring	–	(25)		
Total before associates	<b>1,688</b>	1,430	<b>7.4%</b>	7.2%
Associates	<b>17</b>	15		
Total	<b>1,705</b>	1,445		

1. Definitions of underlying measures of performance can be found in the glossary on page 196.

## STATUTORY AND UNDERLYING RESULTS

	2017			2016			
	STATUTORY £M	ADJUSTMENTS £M	UNDERLYING £M	STATUTORY £M	ADJUSTMENTS £M	UNDERLYING £M	UNDERLYING CONSTANT CURRENCY £M
Revenue	<b>22,568</b>	<b>284</b>	<b>22,852</b>	19,605	266	19,871	22,017
Operating profit	<b>1,665</b>	<b>40</b>	<b>1,705</b>	1,409	36	1,445	1,614
Other gains/(losses)	–	–	–	1	(1)	–	–
Net finance costs	<b>(105)</b>	<b>(9)</b>	<b>(114)</b>	(89)	(12)	(101)	(110)
Profit before tax	<b>1,560</b>	<b>31</b>	<b>1,591</b>	1,321	23	1,344	1,504
Tax	<b>(389)</b>	<b>(15)</b>	<b>(404)</b>	(319)	(11)	(330)	(369)
Profit after tax	<b>1,171</b>	<b>16</b>	<b>1,187</b>	1,002	12	1,014	1,135
Non-controlling interest	<b>(10)</b>	–	<b>(10)</b>	(10)	–	(10)	(10)
Attributable profit	<b>1,161</b>	<b>16</b>	<b>1,177</b>	992	12	1,004	1,125
Average number of shares (millions)	<b>1,628</b>	–	<b>1,628</b>	1,643	–	1,643	1,643
Basic earnings per share (pence)	<b>71.3p</b>	<b>1.0p</b>	<b>72.3p</b>	60.4p	0.7p	61.1p	68.4p
EBITDA			<b>2,188</b>			1,840	n/a
Gross capex			<b>717</b>			580	n/a
Free cash flow			<b>974</b>			908	n/a

Further details of the adjustments can be found in the consolidated income statement, note 1 segmental reporting and note 32 statutory and underlying results.

## BUSINESS REVIEW CONTINUED

### STATUTORY RESULTS

On a statutory basis, revenue was £22,568 million (2016: £19,605 million), growth of 15.1%, which included 11.3% of foreign currency translation benefit.

Operating profit was £1,665 million (2016: £1,409 million), an increase of 18.2% over the prior year, which included 11.3% of foreign currency translation benefit.

Operating margin was 7.4% (2016: 7.2%).

Net finance costs were £105 million (2016: £89 million).

Profit before tax was £1,560 million (2016: £1,321 million) giving rise to an income tax expense of £389 million (2016: £319 million), equivalent to an effective tax rate of 24.9% (2016: 24.1%).

Basic earnings per share were 71.3 pence (2016: 60.4 pence), an increase of 18.0%, of which 11.3% relates to foreign currency translation.

### UNDERLYING RESULTS

Throughout this Annual Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. All underlying measures are defined in the glossary of terms on page 196.

A summary of the adjustments from statutory results to underlying results is shown in note 32 on page 161 and further detailed in the consolidated income statement page 107, reconciliation of free cash flow page 112, note 1 segmental reporting pages 120 to 123 and note 33 organic revenue and organic profit page 162.

### UNDERLYING REVENUE

On an organic basis, revenue increased by 4.0%. New business wins were 8.7% driven by a strong performance in most countries. Our retention rate was 94.3% as a result of our ongoing focus and investment. Like for like revenue growth was 1.0%, reflecting sensible price increases partly offset by weak volumes in our commodity related business.

### UNDERLYING OPERATING PROFIT

Underlying operating profit was £1,705 million (2016: £1,445 million), an increase of 18.0%. If we restate 2016's profit at the 2017 average exchange rates, it would have increased by £169 million to £1,614 million. On a constant currency basis, underlying operating profit has therefore increased by £91 million, or 5.6%.

### UNDERLYING OPERATING MARGIN

The underlying operating margin increased by 20 basis points as we continue to drive efficiencies across the business, benefitted from the end of the Emerging Markets and Offshore & Remote restructuring and foreign exchange. These efficiencies, combined with modest pricing increases, enabled us to offset inflation pressures and reinvest to support the exciting growth opportunities we see around the world.

### UNDERLYING FINANCE COSTS

The underlying net finance cost increased to £114 million (2016: £101 million) as a result of sterling weakness and the additional interest on debt to fund the £1 billion special dividend. This equates to an effective interest rate of just under 3% on gross debt. For 2018, we expect an underlying net finance cost of around £120 million.

### UNDERLYING TAX CHARGE

On an underlying basis, the tax charge was £404 million (2016: £330 million), equivalent to an effective tax rate of 25.4% (2016: 24.5%). This increase is a consequence of both the changing regulatory environment affecting all multinational groups specifically the enactment into law in the UK of the OECD BEPS legislation, and the impact of exchange rate movements. Our current expectations for the 2018 tax rate are to be around 1.0% higher than 2017. As previously noted, we are likely to see a continuing period of significant uncertainty in the international corporate tax environment.

### UNDERLYING BASIC EARNINGS PER SHARE

On a constant currency basis, the underlying basic earnings per share were 72.3 pence (2016: 68.4 pence), an increase of 5.7%.

### DIVIDENDS

Our dividend policy is to grow the dividend in line with growth in underlying constant currency earnings per share.

In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Parent Company;
- future cash commitments and investment needs to sustain the long-term growth prospects of the business;
- potential strategic opportunities; and
- the level of dividend cover.

Further surpluses, after considering the matters set out above, are 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 dividend payments. The distributable reserves of the Parent Company include the balance on the profit and loss account reserve, which at 30 September 2017 amounted to £1,127 million.

The Group is currently in a strong position to continue to fund its dividend which continues to be well covered by cash generated by the business. Details on the Group's continuing viability and going concern can be found on page 33.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 34 to 36 that could adversely impact the performance of the Group although we believe we have the ability to mitigate those risks as outlined on pages 34 to 36. It is proposed that a final dividend of 22.3 pence per share be paid on 26 February 2018 to shareholders

on the register on 19 January 2018. This will result in a total dividend for the year of 33.5 pence per share (2016: 31.7 pence per share), a year on year increase of 5.7%. The dividend is covered 2.2 times on an underlying earnings basis and 1.8 times on a cash basis.

### SPECIAL DIVIDEND

On 7 June 2017, shareholder approval was given at a General Meeting for a return of 61.0 pence per share to shareholders, which was equivalent to £1 billion in aggregate and was accompanied by a Share Capital Consolidation. The special dividend was paid on 17 July 2017 to shareholders on the register on 26 June 2017.

### PURCHASE OF OWN SHARES

During the year, the Group purchased shares for a consideration of £19 million (2016: £100 million).

### SHAREHOLDER RETURN

The market price of the Group's ordinary shares at the close of the financial year was 1,583.00 pence per share (2016: 1,495.00 pence per share).

### FREE CASH FLOW

Free cash flow totalled £974 million (2016: £899 million). In 2016, we made cash payments of £9 million related to the European exceptional programme. Adjusting for this, free cash flow on an underlying basis would have grown by £66 million or 7.3%. Free cash flow conversion was 57% (2016: 63%). Gross capital expenditure of £717 million (2016: £580 million), including assets purchased under finance leases of £2 million (2016: £2 million), is equivalent to 3.1% of underlying revenues (2016: 2.9% of

underlying revenues). We continue to deliver strong returns on our capital expenditure across all regions. In 2018 we expect capital expenditure to be just over 3% of revenue, which includes an investment in a long term partnership with the LA Dodgers in the US.

The working capital outflow, excluding provisions and pensions, was £62 million (2016: £12 million inflow). In 2018 we expect a small underlying outflow which will be offset by a positive inflow of around £70 million due to the timing of our payroll run in September. This payroll inflow is a reversal of the outflow which occurred in 2016.

The £14 million outflow (2016: £39 million) in respect of post employment benefit obligations reflects the reduction in regular payments agreed with trustees of the UK defined benefit pension scheme as a result of the funding surplus following the triennial valuation in April 2016. We now continue to expect a total outflow for the Group of around £20 million per annum.

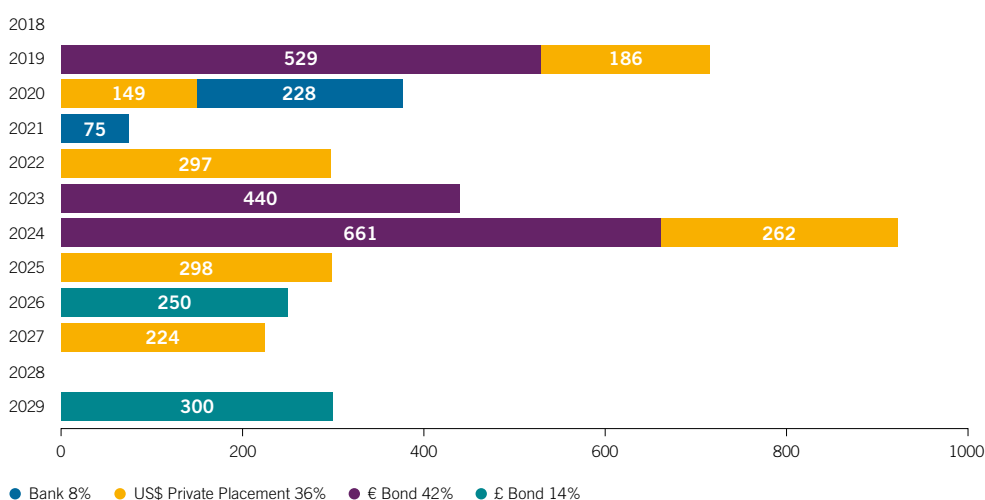
The net interest outflow was £97 million (2016: £94 million).

The underlying cash tax rate was in line with expectations at 21% (2016: 18%).

### ACQUISITION PAYMENTS

The total cash spent on acquisitions in the year, net of cash acquired, was £96 million (2016: £180 million), comprising £72 million of infill acquisitions, £1 million of acquisition transaction costs net of cash acquired and £23 million of contingent consideration relating to prior years' acquisitions.

## FINANCING – MATURITY PROFILE OF PRINCIPAL BORROWINGS AS AT 30 SEPTEMBER 2017 (£M)



1. Based on borrowings and facilities in place as at 30 September 2017, maturing in the financial year ending 30 September.
2. The average life of the Group's principal borrowings is 5.6 years (2016: 5.0 years).

## BUSINESS REVIEW CONTINUED

### DISPOSALS

The Group received £19 million (2016: £2 million) in respect of the disposal of some non core businesses.

### POST EMPLOYMENT BENEFIT OBLIGATIONS

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

The Group's net pension surplus, calculated in accordance with IAS 19, for all Group defined benefit schemes was £28 million (2016: £21 million deficit).

The total pensions charge for defined benefit contribution schemes in the year was £123 million (2016: £100 million) and £20 million (2016: £17 million) for defined benefit schemes.

### RETURN ON CAPITAL EMPLOYED

Return on capital employed was 20.3% (2016: 19.4%) based on net operating profit after tax at the underlying effective tax rate of 25.4% (2016: 24.5%). The average capital employed was £6,218 million (2016: £5,565 million).

On a constant currency basis, the increase in return on capital employed was 10 basis points.

### RELATED PARTY TRANSACTIONS

Details of transactions with related parties are set out in note 29 of 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.

### FINANCIAL POSITION

The ratio of net debt to market capitalisation of £25,035 million as at 30 September 2017 was 13.8% (2016: 12%).

Net debt increased to £3,446 million (2016: £2,874 million). The ratio of net debt to underlying EBITDA was 1.6x, slightly above the target ratio due to the funding of the £1 billion special dividend. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to underlying EBITDA of around 1.5x.

The Group generated £974 million of free cash flow (2016: £899 million), including investing £683 million in net capital expenditure, and spent £77 million on acquisitions net of disposal proceeds. £347 million was paid in respect of the final dividend for the financial year 2016, £184 million was paid for the interim 2017 dividend, £1,003 million in relation to the special dividend and £19 million returned to shareholders through share buybacks.

The remaining £84 million movement in net debt related predominantly to foreign currency translation.

### LIQUIDITY RISK

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

The maturity profile of the Group's principal borrowings at 30 September 2017 shows that the average period to maturity is 5.6 years (2016: 5.0 years).

The Group's undrawn committed bank facilities at 30 September 2017 were £1,387 million (2016: £1,000 million).

### FINANCIAL MANAGEMENT

The Group continues to manage its interest rate and foreign currency exposure in accordance with the policies set out below.

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

### FOREIGN CURRENCY RISK

The Group's policy is to match as far as possible its principal projected cash flows by currency to 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 either are less than, or equate 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 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 from 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, reducing to 60% fixed for the second year and 40% fixed for the third year.

### GROUP TAX POLICY

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 into the Group and its operations.



We therefore 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 Compass' 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.

In an increasingly complex international environment, a degree of tax risk and uncertainty is, however, inevitable. 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 with the aim of protecting its employees and customers and safeguarding the interests of the Group, its shareholders, employees, clients, consumers and all other stakeholders.

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 34 to 36.

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 17 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 34 to 36 of the Annual Report. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its

liabilities as they fall due over the period to 30 September 2020.

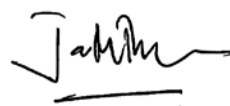
The directors have determined that a three year period to 30 September 2020 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Group Board in our strategic planning process and is also aligned to our typical contract length (three to five years). We believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board considers annually and on a rolling basis a three year, bottom up strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and working capital variances and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

While the review has considered all the principal risks identified by the Group, the following were focused on for enhanced stress testing: health and safety, economic and political environment, and clients and consumers. The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. Furthermore, our business model is structured so that the Group is not reliant on one particular group of clients or sector. Our largest client constitutes only 2% of Group revenue and our top 10 clients account for less than 9% of Group revenue. Also, our ability to flex our cost base protects our viability in the face of adverse economic conditions and/or political uncertainty.

While this review does not consider all of the risks that the Group may face, the directors consider that this stress testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.



**Johnny Thomson**  
Group Finance Director

21 November 2017

The Strategic Report, as set out on pages 1 to 41, has been approved by the Board.

On behalf of the Board



**Mark White**  
Group General Counsel and Company Secretary

21 November 2017

# Identifying and managing risk

The Board continues to take a proactive approach to recognising, assessing and mitigating risk with the aim of protecting its employees and consumers and safeguarding the interests of the Company and its shareholders in the constantly changing environment in which it operates.

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

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

The table on pages 35 and 36 sets out the principal risks and uncertainties facing the business at the date of this Report. These have been subject to robust assessment and review. They do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this Report, may also have an adverse effect on the Group. These include risks resulting from the UK's decision to leave the EU and the potential for US political reform which could adversely affect the risks noted under the 'economic and political environment' section of the table on the following pages as well as affecting financial risks such as liquidity and credit. The Board views the potential impact of Brexit as an integral part of its principal risks rather than a stand-alone risk. However, there is still significant uncertainty about the withdrawal process, its timeframe, and the outcome of negotiations about future arrangements between the UK and the EU, and the period for which existing EU laws for member states will continue to apply to the UK. Therefore, although the risks related to Brexit have been discussed by the Board, it remains too early to properly understand the impact on the business whilst negotiations continue to take place. The Board will continue to assess the risk to the business as the Brexit process evolves.

The Group has significant operations and a substantial employee base in the USA where the new administration has signalled broad policy changes. Some of these potential changes in policy are in respect of trade and tax, none of which are clear at this stage. We are closely monitoring developments from the new administration and will continue to assess the impact of any changes and the extent to which they will be enacted.

In accordance with the provisions of the UK Corporate Governance Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability Statement. The Going Concern and Viability Statement can be found on page 33 of the Strategic Report.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Additionally, there are risks (such as those relating to the eurozone economy, pensions, and acquisitions and investments) which vary in importance depending on changing conditions. All risks disclosed in previous years can be found in the annual reports available on our website at [www.compass-group.com](http://www.compass-group.com). We recognise that these risks remain important to the business and they are kept under review. However, we have focused the disclosures on pages 35 and 36 on those risks that are currently considered to be more significant to the Group.



Risk Management should be read in conjunction with the Strategy and KPI sections.

See pages 14 to 17 and 26 and 27 respectively

## PRINCIPAL RISKS

### CHANGE IN RISK

⬆️ Increased risk      ➡️ Consistent risk

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
<b>HEALTH AND SAFETY</b>		
<b>Health and safety</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	Health and safety is our number one operational priority. We are focused on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation. Compass feeds millions of consumers and employs thousands of people around the world every day. Therefore, setting the highest standards for food hygiene and safety is paramount.	<p>All management meetings throughout the Group feature a health and safety update as their first substantive agenda item.</p> <p>Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams.</p> <p>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 our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.</p>
<b>CLIENTS AND CONSUMERS</b>		
<b>Client and consumer sales and retention</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	Our business relies on securing and retaining a diverse range of clients.	<p>We have strategies which strengthen our long term relationships with our clients and consumers based on quality, value and innovation.</p> <p>Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.</p>
<b>Bidding</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	Each year, the Group could bid for a large number of opportunities.	<p>A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards, prior to approval at an appropriate level in the organisation.</p>
<b>Service delivery and contractual compliance</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to loss of business.	<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>
<b>Competition</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	<p>We aim to minimise this by continuing to promote our differentiated propositions and by focusing on our points of strength, such as flexibility in our cost base, quality and value of service and innovation.</p>
<b>PEOPLE</b>		
<b>Recruitment</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business.	<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 and through offering training and development programmes.</p>
<b>Retention and motivation</b> 2017 <span>➡️</span> 2016 <span>➡️</span>	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group.	<p>The Group has established training, development, performance management and reward programmes to retain, develop and motivate our best people.</p> <p>The Group has a well established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.</p>

## PRINCIPAL RISKS CONTINUED

### CHANGE IN RISK

⬆ Increased risk      ⬇ Consistent risk

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
<b>ECONOMIC AND POLITICAL ENVIRONMENT</b>		
<b>Economy</b> 2017 ⬆ 2016 ⬆	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels.	With the variable and flexible nature of our cost base, it is generally possible to contain the impact of these adverse conditions.
<b>Cost inflation</b> 2017 ⬆ 2016 ⬇	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or food, especially in countries such as Brazil, could constitute a risk to our ability to do this.	As part of our MAP framework, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.
<b>Political stability</b> 2017 ⬆ 2016 ⬆	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability caused, for example, by the UK's decision to leave the EU.	The Group remains vigilant to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy.
<b>COMPLIANCE AND FRAUD</b>		
<b>Compliance and fraud</b> 2017 ⬆ 2016 ⬇	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance if significant financial penalties are levied or a criminal action is brought against the Company or its directors.	<p>The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated.</p> <p>The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.</p> <p>Regulation and compliance risk is also considered as part of our annual business planning process.</p>
<b>Tax compliance</b> 2017 ⬇ 2016 ⬇	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. However, in an increasingly complex international corporate tax environment, a degree of uncertainty is inevitable and we note in particular the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.	We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.
<b>INFORMATION SYSTEMS AND TECHNOLOGY</b>		
<b>Information systems and technology</b> 2017 ⬆ 2016 ⬆	The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation, through, for example, the use of social media.	<p>We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts.</p> <p>The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees.</p> <p>We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.</p>

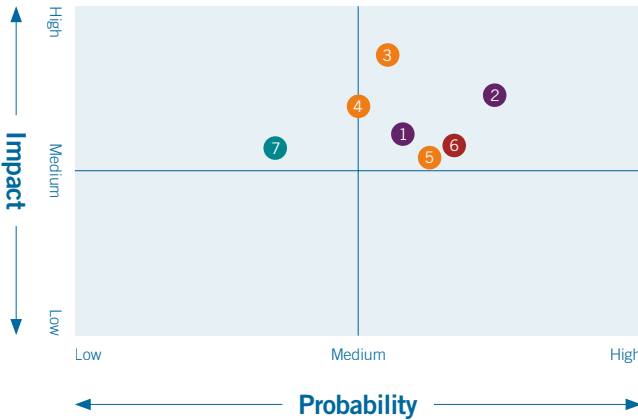
# Making a positive impact

The Group’s strategy and approach to corporate responsibility (CR) are well aligned as we improve the business model to reflect more sustainable practices. CR is a keystone of our commitment to provide the highest quality service to our customers. Across the business, the safety and wellbeing of our colleagues and consumers is our number one operational priority and supports our growth strategy, increases trust and helps us attract the best talent.

## ENGAGING WITH OUR STAKEHOLDERS

We continually listen to our stakeholders and regularly review our approach to CR to keep pace with change and maintain our position as a responsible business partner. We consider the issues that matter most to our business and stakeholders to help us inform our business strategy. Through this process we have identified key issues we believe materially impact our business and our relationships with stakeholders (see matrix below for highlights) in our journey to becoming a more sustainable business.

On pages 38 and 39 we explain how our four CR pillars address the most material business issues, why they matter to us and how they will inform our priorities and activities moving forward.



## PROGRESS THIS YEAR

Each year, we participate in the key sustainability indices that focus on economic, environmental and social factors that are relevant to a company’s success. We use our participation in such indices to benchmark our performance within our sector and identify where we have an opportunity to improve our approach towards more sustainable business practices. Increasingly, our stakeholders, including clients, investors and NGOs, proactively assess the scores that we achieve and the progress we are making. We have performed well this year, including our achievement in the Carbon Disclosure Project (CDP) of a ‘Leadership’ score of A- in the Climate Change module.

In DJSI RobecoSAM, we scored 70% across all three dimensions (economic, environmental and social) which is well above the industry average of 39%. This now places us in both their World and Europe ratings.



**LEADERSHIP A-**  
2017 SCORE  
(2016: Leadership A-)



**70**  
2017 SCORE  
(2016: 69)



**TIER 4**  
2016 SCORE

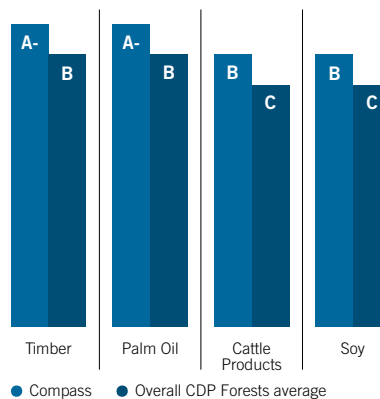


## REDUCING RISKS IN OUR GLOBAL SUPPLY CHAIN

We spend around £6 billion on our global food supply chain and reducing risk is important to us to ensure food security for future generations. This year, we have continued to develop the way in which we measure our impacts and assess the risk for our business that deforestation presents. Our progress has resulted in a marked performance improvement in the CDP Forests module against peer companies in our sector. We are therefore delighted to have been recognised as the ‘most improved’ business in the Forests module for soy. We will continue to set ourselves more ambitious targets and actively support the sustainable production of forest risk commodities through supplier engagement.

## OUR 2017 CDP FORESTS RESULT

### Benchmarking



Our Company performance benchmarked against peer companies in the Hotels, Restaurants and Leisure and Tourism Services sector and the 2017 CDP Forests sample. This demonstrates we are assessing the risks related to deforestation and are measuring and managing the impacts.



Visit our website at [www.compass-group.com](http://www.compass-group.com) for more information about our approach to CR and progress against the performance targets that we have set ourselves.



# Material impacts and progress

## OUR PILLARS

## OUR PRIORITIES

## OUR UN SDGs

### OUR PEOPLE



Our people are fundamental to our great service and reputation and we recognise their positive contribution to our performance.

Ensuring our employees are safe, well trained, motivated and productive is an essential component of our business model.

#### 1 Workplace health & safety

Transparency around processes, controls and reporting are in place and monitored to ensure the safety and wellbeing of our people and of those who work with us.



#### 2 Employee recruitment & retention

Provide our people with training and development opportunities. Recognise and reward their great work.



### RESPONSIBLE SOURCING



Having a responsible global supply chain is important for us to deliver the quality of food service which is a key business driver for Compass and of paramount importance to our clients and consumers.

As a result of our actions across our global supply chain, we are able to build client and consumer confidence, reduce potential risks and develop sustainable supplier relationships.

#### 3 Product safety

Visibility around the ingredients that we source for our operations.



#### 4 Supply chain integrity

Ensure our global supply chain is acting responsibly and humanely towards its workforce.



#### 5 CBC compliance

Ensure the implementation of our Codes of Business Conduct and Ethics. Measure, report and act upon concerns via the Speak Up whistleblowing programme.



### HEALTH & WELLBEING



By pursuing our passion for wellbeing and nutrition, we can help our consumers and employees adopt a more balanced lifestyle.

We support our clients to deliver improved employee performance and satisfaction, encouraging client retention in our business.

#### 6 Wellbeing and nutrition

Promote simple product labelling and signposting at the point of sale to encourage our consumers to make healthier choices.



Raise awareness of mental health issues and the support programmes available to our employees.

### ENVIRONMENTAL REPORTING



As a leading food and support services provider with a global footprint, we have a clear responsibility to help protect the environment.

We are reducing our impact by implementing programmes that focus on the improved use of resources, helping us to manage our costs and those of our clients more effectively.

#### 7 Environmental reporting

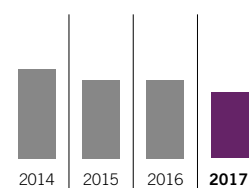
Transparency around our environmental impacts, target setting and activities to demonstrate progress.



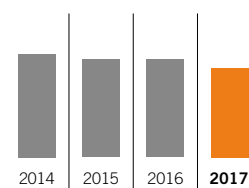
Working to the Science Based Targets Initiative's accredited methodologies, we will reduce the intensity of our Greenhouse Gas (GHG) emissions by 50% by 2030.

## OUR PROGRESS

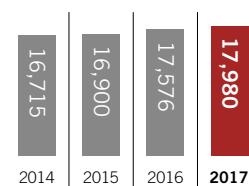
- We employ 550,000+ colleagues worldwide and protecting their wellbeing is very important to us. Since 2014, we have achieved a 26% reduction in our Lost Time Incident Frequency Rate performance. This year, with a continued focus on embedding a strong safety leadership culture, we have achieved an improvement in our performance compared to last year, resulting in 15% less lost time incidents across our global business.
- Sadly, we had two work-related fatalities in our Europe business as the result of vehicle accidents. We conduct root cause investigations of all fatalities to identify opportunities to strengthen our policies and controls. The lessons learned are shared to ensure that other parts of our business can learn from serious events. All work-related fatalities are reported to the Executive Board and Group Board.

**Global Lost Time Incident Frequency Rate** **-26%**  
(since 2014)


- We have extended our third party audit programme to validate that all our markets are complying with the requirements of our Global Food Safety Standards.
- This year, audit results identified that some of our developing markets, including South East Asia and Latin America, required further support to implement effective controls. We have responded by investing in upskilling our teams and securing additional resource to help them embed the required operational standards.

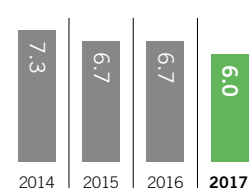
**Global Food Safety Incident Rate** **-14%**  
(since 2014)


- Many of our businesses have implemented wellbeing programmes to encourage healthy behaviours amongst colleagues and consumers. These include healthy lifestyle campaigns, raising workplace awareness of mental health and employee assistance programmes.
- For example, we recognise that developing good eating habits in childhood sets people up for a lifetime of better diet. To encourage the right behaviours and habits in the younger generation, our Chartwells team in the UK business developed a Putting the Fun Back into Food programme. Since 2006, the programme has reached over half a million students. The aim is to excite children of all backgrounds about food and cooking to help them lead healthy lives.

**Number of sites offering healthy eating programmes** **+8%**  
(since 2014)


Compass Group's disclosure in accordance with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 is stated in the table below:

GLOBAL GHG EMISSIONS FOR THE PERIOD 1 OCTOBER 2016 TO 30 SEPTEMBER 2017	UNIT	2016-2017 CURRENT REPORTING YEAR	2015-2016 COMPARISON YEAR
Combustion of fuel & operation of facilities (Scope 1)	Tonnes (t) CO <sub>2</sub> e	<b>128,154</b>	124,488
Electricity, heat, steam and cooling purchased for own use (Scope 2 – location based)	tCO <sub>2</sub> e	<b>8,376</b>	9,100
Total Scope 1+2	tCO <sub>2</sub> e	<b>136,530</b>	133,588
Emissions intensity per £m revenue	tCO <sub>2</sub> e/£m	<b>6.0</b>	6.7

**GHG intensity ratio** **-18%**  
(since 2014)


We have calculated our Scope 1 and 2 GHG emissions since 2008 and aim to improve the scope and accuracy of our reporting each year. We have established an organisational boundary, reporting on emissions originating from our top 20 countries, accounting for 94% of Group activity by revenue. Our GHG emissions calculations are based on the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Applying an operational control approach, we have identified relevant activity data for Scope 1 and 2 emissions and have used the location based Scope 2 calculation method.

**WORKING TOWARDS THE SUSTAINABLE DEVELOPMENT GOALS**

In 2016, we identified through our strategic review that stakeholders and international clients had a growing interest in supporting the United Nations' Sustainable Development Goals (SDGs) agreed by world leaders in September 2015. In response to this feedback, we continue to consider how our business activities can help us to deliver our contribution towards the SDGs at a global and local level.

The SDGs provide a useful platform and common language upon which we can build new, and strengthen existing, global and local partnerships to progress our sustainability activities.

Of the 17 goals designed to help deliver the 2030 vision for a more sustainable planet, we have identified six where we believe we can make the most positive social impact. In addition to these issue specific goals, we recognise the critical importance of working in partnership, supported by SDG 17 (Partnerships for the Goals).

**LOOKING AHEAD TO 2018+**

We will continue to engage our teams and stakeholders around the world to understand the issues which matter most and to identify opportunities to build stronger partnerships which address global and local sustainability priorities.



For a more detailed review of our 2016-2017 performance against targets, please visit [www.compass-group.com](http://www.compass-group.com).



**UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS**



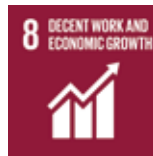
**END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE**



**ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES**



**ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS**



**PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL**



**CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT**



**PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS**



**STRENGTHEN AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT**

THE GLOBAL CHALLENGE	OUR ROLE	FOR EXAMPLE
By 2050, the world's population is expected to increase by two billion. At present almost 800 million of the world's population are malnourished and starving. This means that the need to improve sustainable agriculture will become increasingly critical as the demand on natural resources intensifies.	Every year, we spend around £6 billion on food. Collaborating with our global supply chain to design and deliver scalable and practical solutions for food security and sustainable agriculture is therefore vitally important to safeguard the future of our business.	Since 2014, our Imperfectly Delicious Produce programme run by our US business has used over 4.5 million lbs of imperfect fruit and vegetables that would otherwise have rotted in fields or been sent to composting or landfill for simply not meeting an artificial standard of attractiveness.
Nutrition is essential for sustainable development. Every year, poor nutrition kills over three million children under five, whilst world wide over two billion people are overweight or obese.	Each year, we serve over five and a half billion meals. By pursuing our passion for wellbeing and nutrition, we are committed to helping our consumers and employees adopt a more balanced lifestyle.	Since 2010, we have worked towards a target that 100% of our units will provide Balanced Choices or similar healthy eating programmes by 2016. This year, we have seen a further improvement in our performance (69% vs 67% in 2016). Whilst we have not achieved our target this year, we expect to continue to make good progress during the coming year.
Women and girls around the world struggle to exercise their rights, face discrimination, legal barriers and violence and receive unequal pay for equal work.	Women make up 55% of our global workforce and 28% of our global leadership team. We are resolved to empower all our female employees as we know this leads to increases in productivity, organisational effectiveness and consumer satisfaction.	Since 2016, our UK business has run the Women in Food programme to tackle the shortage of female chefs. By 2020, we expect that 50% of the chefs in our UK workplace will be female. This year, 35% of the chef population was made up of women and we will continue to focus our activities to achieve our 2020 target.
The availability of decent work is a must for lasting, inclusive and economic growth, yet while the global labour force continues to grow, there are not enough jobs available, particularly amongst young people and indigenous communities.	Our 550,000+ employees are fundamental to our great service and reputation. Around the world we are working with local communities to offer fair employment and great career opportunities.	In Australia, we run a programme called Project 1050 to support the recruitment of an additional 1,050 indigenous jobseekers into the Compass workforce by 2019. In 2017, we achieved a further 339 jobseekers versus our annual target of 244, towards our 2019 goal.
30% of the world's fish stocks are overexploited, compromising their ability to produce sustainable yields.	Three words encapsulate our approach to sustainable seafood: (1) Avoid: by not serving seafood on the Marine Stewardship Council's (MSC) 'fish to avoid' list; (2) Improve: by buying more certified sustainable seafood each year; (3) Promote: the availability of responsibly sourced fish to our consumers.	We have partnered with the MSC in the UK to develop the Good Fish Guide app, which encourages everyone from chefs to consumers to make more sustainable choices easily and quickly.
People need nature to thrive. It is particularly critical for sustainable agriculture, yet deforestation, desertification and loss of biodiversity and natural habitats are degrading fertile land and reducing crop productivity.	We are working across our global supply chain to ensure we source our food and non-food products in a sustainable manner with the least possible impact on the environment.	Globally, we are an active member of the Roundtables on Responsible Soy and Responsible Palm Oil. 18 of our top 20 countries have already established sustainable and ethical sourcing programmes.
The SDGs set out a vision for ending poverty, hunger and inequality and protecting natural resources by 2030. Realising this ambition will require a step change in the way that the private sector, governments and civil society work together in partnership.	As a global business, we recognise the critical importance of working in partnership with our clients, suppliers and other stakeholders to improve the positive contribution that we can make to help address some of the biggest issues that we all face in the 21 <sup>st</sup> century.	We have been assessed annually by the Business Benchmark on Farm Animal Welfare since the publication of its first report in 2012. We remain committed to continuously improving our performance by embedding a common framework designed to deliver enhanced and harmonised farm animal welfare standards throughout our global supply chain. We achieved a benchmark score of Tier 4 in 2016 and await results of the 2017 assessment.

CHAIRMAN'S LETTER



# Creating and maintaining the right culture for growth

As a Board, we have an established commitment to maintain a well defined and effective system of governance which supports our corporate strategy to deliver sustainable organic growth.

Integrity and trust in our Company's behaviour are more important than ever in today's business world. One of my key responsibilities as Chairman is to set the tone for the Company and ensure good governance and in this, I have been extremely well supported by the members of the Board. They bring balance and a wealth of skills and experience to our organisation which complement the talents of our executive team. I thank them all for their valuable contribution as we continue to uphold the high standards expected of us, to maintain oversight of the strategic, operational and compliance risks across the Group and to define our path to success.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Compass Group PLC's annual Corporate Governance Report for the financial year ended 30 September 2017.

It has been another year of progress and development in the Company's governance agenda. Throughout this and other parts of the Annual Report, we aim to provide investors and other stakeholders with an insight into the governance activities and ethical practices which have supported our corporate performance during the year.

## BOARD COMPOSITION AND CHANGES

As announced on 21 September 2017, Dominic Blakemore was appointed Deputy Group Chief Executive from 1 October 2017. Following a period of transition, Dominic will succeed Richard Cousins as Group Chief Executive on 1 April 2018 and Richard will retire from the Group on 30 September 2018.

The decision to appoint Dominic as Richard's successor was taken after a rigorous selection process, more detail of which can be found in the Nomination Committee Report on pages 65 to 67.

In February 2017, Susan Murray stepped down from the Board and its committees, having completed her nine year tenure as a non-executive director, and was succeeded by Nelson Silva as Chairman of the Corporate Responsibility Committee.

In the run up to the Company's Annual General Meeting (AGM) in February, votes were lodged against Mrs Vittal's reappointment as a director based on concerns expressed by some shareholders that she was overboarding. Mrs Vittal has reviewed her portfolio and more details of the action she has taken to address these concerns can be found in the Nomination Committee Report on page 66.

## SUCCESSION PLANNING AND TALENT PIPELINE

Succession planning continues to be an area of focus for the Board and the Nomination Committee. In the next three years, in line with best practice, two of our longer serving non-executive directors are expected to retire, each having completed their nine year tenure. In the coming year, we plan to undertake further work specifically around succession planning, to ensure we are well placed to maintain the extensive listed company experience brought to the Board by those succession directors. We will endeavour to meet Lord Davies' target of having 33% female representation on the Board by 2020, which has been eroded by the retirement of Susan Murray, and will also consider Sir John Parker's initial recommendations on diversity. However, we remain focused on ensuring that the Board comprises a majority of independent non-executive directors who have the capability, skills and experience necessary to objectively challenge executive management, offset by the need to ensure continuity on the Board. In this regard, we continue to strengthen our approach to talent management and succession planning at senior level, a subject which continues to command the Board's full attention.



## REMUNERATION POLICY

Our current Remuneration Policy will expire next year and the proposed policy, which is intended to apply for the coming three years, will be put to shareholders for their approval at the AGM on 8 February 2018. The proposed policy has been designed so that there is close alignment between executive reward and the delivery of our business strategy. Details of the proposed policy, the outcome of the shareholder consultation process that was undertaken prior to the proposed policy being developed and the implementation of the current policy during the year can be found in the Directors' Remuneration Report on pages 68 to 94.

## CULTURE AND GOVERNANCE

Our corporate culture defines who we are, what we stand for and how we do business and it is integral to the success of Compass. Our good reputation has been built on the solid foundation of an ethical culture, underpinned by a well defined and effective system of governance. It has assisted in the creation and protection of the long term value of the Company and supported our ongoing corporate strategy to deliver sustainable organic growth.

The Board defines the purpose of the Company and identifies the values that guide it. We remain committed to upholding the highest ethical standards, operating on the principle that the tone at the top sets the standard for the rest of the business.

Over the years, we have carefully developed a common set of expected behaviours based on our corporate values and an effective system of governance, both of which have been influential in shaping and embedding a strong ethical and governance culture across the Group.

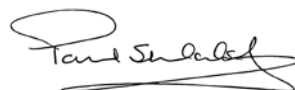
The Board is responsible for changes to corporate governance and culture. However, from a practical perspective, the executive directors and senior managers are responsible for implementing behavioural and governance changes and for clearly articulating to colleagues in the wider business the reasons for change, its benefits or the consequences of not changing.

We continuously strive to create an environment where our corporate values are not just words, but are put into practice, promoting positive and productive behaviour every day. The Group Chief Executive and other members of the executive management team take an active lead, providing encouragement and support to colleagues to ensure that ethical standards are maintained and good governance is put into practice. Key functions such as legal, finance, human resources and internal audit have also been empowered to promote, embed and integrate good standards of ethical behaviour and corporate governance across the Group.

The success of our business is dependent upon a strategy which benefits our investors, employees, clients, suppliers and the wider stakeholder community. We have invested time and resources in communicating with employees and designed training and development programmes to educate and encourage the high standards of conduct that reflect our vision to be a world-class provider of contract food and support services, renowned for our great people, great service, and great results. These efforts are underpinned by our Codes of Business Conduct and Ethics.

## THE YEAR AHEAD

We are committed to doing things in the right way and will continue to strengthen our governance processes to ensure that we are aligned with best practice and that our approach to disclosure remains understandable and transparent.



**Paul Walsh**

Chairman

21 November 2017

# Committed to the highest standards

## UK CORPORATE GOVERNANCE CODE COMPLIANCE

Responsibility for good governance lies with the Board.

The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code 2016 (the Code).

The Code can be found on the Financial Reporting Council (FRC) website at [www.frc.org.uk](http://www.frc.org.uk).

This Corporate Governance Report, together with the Directors' Remuneration Report set out on pages 68 to 94, describes how the Board has applied the main principles of good governance, as set out in the Code, during the year under review.

## COMPLIANCE STATEMENT

It is the Board's view that for the year ended 30 September 2017 the Company has been fully compliant with all of the principles set out in the Code applicable to this reporting period.

The Company's auditor, KPMG LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for its review by the UK Listing Authority (UKLA) Rules and to report if it does not reflect such compliance. No such report has been made.

The directors present their Annual Report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2017.

This Corporate Governance Report on pages 42 to 94 and the Other Statutory Disclosures on pages 95 to 100, together with the Directors' Responsibilities statement on page 101 and the Strategic Report on pages 1 to 41 which have been incorporated into this Report by reference, make up the Directors' Report.

## HOW WE GOVERN THE COMPANY

The Board leads the Group's governance framework. It is responsible for setting the strategic targets for the Group, monitoring progress made, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively.

The Board is assisted by four principal committees (Audit, Corporate Responsibility, Nomination and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference.

At scheduled Board meetings, the minutes of all committee meetings are circulated and a summary of committee meetings discussed (as appropriate).

All of the non-executive directors are members of all principal committees.

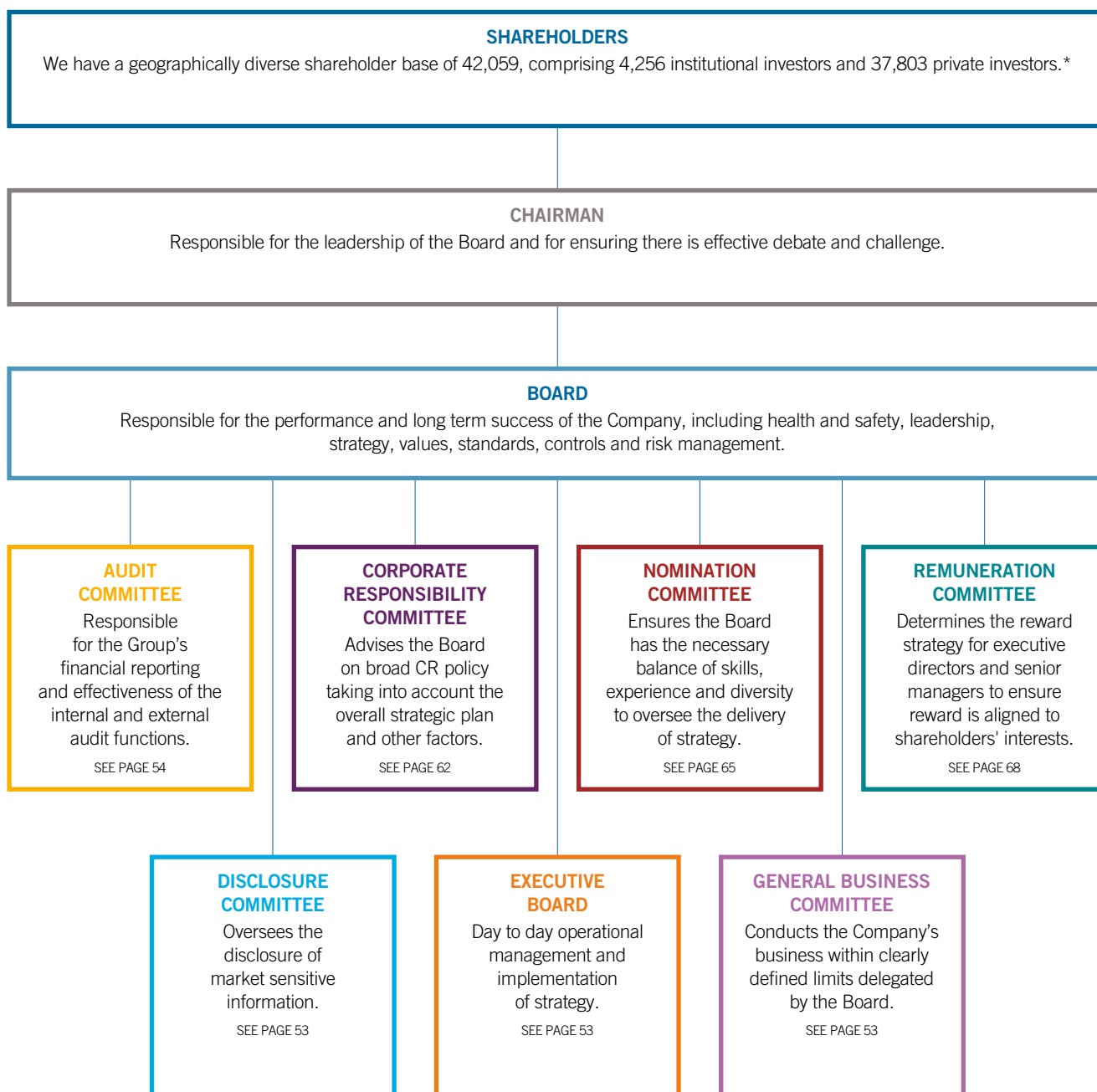
Individual reports from each principal committee chairman can be found on pages 54 to 94.

The Company also has a number of executive management committees (Disclosure, Executive Board and General Business). These have been established in order to consider various issues and matters for recommendation to the Board and its principal committees or to deal with day to day matters within the authority granted by the Board.

This Directors' Report also contains information required to be disclosed under the UKLA's Rules and under the Disclosure Guidance and Transparency Rules (DGTR). To the extent necessary, certain information is incorporated into this Report by reference.

Our governance structure comprises the functions on the opposite page, supported by the Group's standards, policies and internal controls, which are described in more detail over the following pages.

## GOVERNANCE STRUCTURE



\* As at 30 September 2017.

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

The Board manages the business of the Company and may, subject to the Articles of Association and applicable legislation, borrow money, guarantee, indemnify, mortgage or charge the business, property and assets (present and future), issue debentures and other securities and give security, whether outright or as a collateral security, for any debt, liability or obligation of the Company or of any third party.

The Board sets the Group's values and standards and ensures that it acts ethically and that its obligations to its shareholders are understood and met.

The Board has a formal schedule of matters reserved for its decision as follows:

- strategy and management
- Board membership and other appointments
- financial reporting and controls
- internal controls
- contracts
- capital structure
- communication
- remuneration
- delegation of authority
- corporate governance matters
- other matters

For example, the Board must approve any changes to the Group's capital structure, operating and expenditure budgets, significant capital investment or any new significant client contract.

However, the Board's primary role remains to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole.

The Board has delegated day to day operational decisions to the Executive Board. The Executive Board is supported by country and regional management teams who are responsible for achieving agreed targets, maintaining budgetary controls and implementing policies and controls at country and business unit level.

The work of the Board and its committees is described in the following pages. In this section of the Governance Report, we have also set out our governance structures and processes, how we have applied the main principles and complied with the relevant provisions of the Code. Activities which provide a flavour of the work undertaken by the Board and its committees during the year have been highlighted.

**BOARD OF DIRECTORS**

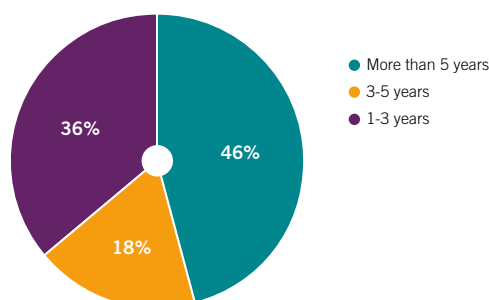
As at 30 September 2017, and as at the date of this Report, the Board of Directors was made up of 11 members, comprising the non-executive Chairman, four executive directors and six non-executive directors.

The roles of Chairman and Group Chief Executive are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.

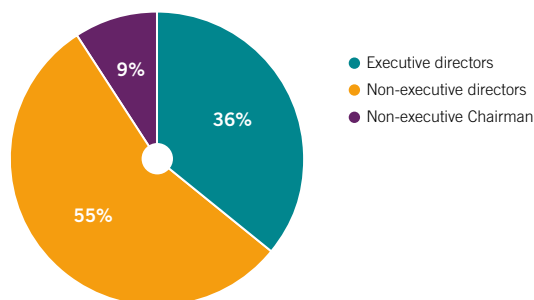
All of the non-executive directors are considered by the Board (and by the definition contained in the Code) to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. The Board considers that each of the non-executive directors brings their own senior level of experience, gained in each of their own fields, predominantly in international operations.

The Company's policy relating to the terms of appointment and the remuneration of both executive and non-executive directors is detailed in the Directors' Remuneration Report, which is on pages 68 to 94.

**BOARD TENURE**



**EXECUTIVE AND NON-EXECUTIVE DIRECTOR BALANCE**



## OUR BOARD

## Effective and experienced leadership

**PAUL WALSH**

C N\* (62)

**CHAIRMAN**

Joined as a non-executive director in January 2014. Appointed Chairman in February 2014.

**Key skills and competencies**

Paul has significant experience in marketing, buying and retail operations as well as substantial corporate leadership experience.

**Career**

Former Chief Executive, Diageo plc, from September 2000 to June 2013 and now an advisor to the Chairman and Chief Executive, having originally joined the Board in 1997. Formerly Chief Executive Officer of the Pillsbury Company, Chairman of Ontex Group N.V. and a director of GrandMet. Former non-executive director of HSBC Holdings plc, Simpsons Malt Limited, Unilever PLC, Centrica plc, United Spirits Limited and nominee director of Pace Holdings Corp. Former Business Ambassador on the UK Government's Business Ambassador network and a Member of the Council of the Scotch Whisky Association.

**Current external appointments**

Chairman of Avanti Communications Group plc and Chime Communications Limited. Non-executive director of FedEx Corporation and RM2 International S.A. Advisor to TPG Capital LLP (TPG) and a nominee director of the various companies as required by TPG.

**RICHARD COUSINS**

C E G N (58)

**GROUP CHIEF EXECUTIVE**

Joined the Board in May 2006 and was appointed Group Chief Executive in June 2006.

**Key skills and competencies**

Richard brings invaluable UK and international corporate expertise to the Board. He has experience in operational research and strategic planning and has held a number of key management roles.

**Career**

Richard spent six years as Chief Executive Officer of BPB plc, having previously held a number of positions with that company. His earlier career was with Cadbury Schweppes plc and BTR plc. He is also a former non-executive director of P & O plc, HBOS plc, Reckitt Benckiser Group plc and Tesco PLC and a former Member of the Advisory Board of Lancaster University Business School.

**Current external appointments**

None.

**DOMINIC BLAKEMORE**

E G (48)

**DEPUTY GROUP CHIEF EXECUTIVE**

Joined the Board in February 2012 and appointed as Group Finance Director in April 2012. Dominic was appointed Group Chief Operating Officer, Europe on 1 December 2015 and stepped down as Group Finance Director on the same day. On 1 October 2017, Dominic was appointed Deputy Group Chief Executive. He will take over as Group Chief Executive on 1 April 2018.

Dominic will become a member of the Corporate Responsibility and Nomination Committees from 1 April 2018.

**Key skills and competencies**

Dominic has extensive financial management experience in a number of international businesses together with general corporate management experience.

**Career**

Former Chief Financial Officer of Iglo Foods Group Limited, which Dominic joined from Cadbury Plc, where he was European Finance & Strategy Director, having previously held senior finance roles as Corporate Finance Director and Group Financial Controller. Prior to joining Cadbury Plc, Dominic was a director of PricewaterhouseCoopers LLP.

**Current external appointments**

Non-executive director of Shire plc and a Member of the Academic Council of University College London.

**JOHNNY THOMSON**

C D E G (45)

**GROUP FINANCE DIRECTOR**

Joined the Board and appointed Group Finance Director on 1 December 2015.

**Key skills and competencies**

Johnny brings extensive finance and accounting experience across a range of businesses as well as operational experience within the Group.

**Career**

Associate of the Institute of Chartered Accountants in England and Wales, Johnny joined the Group in April 2009 as Finance Director for the Group's Brazilian business. He was appointed Chief Executive Officer for the Brazilian business in October 2012 and, in February 2014, became the Regional Managing Director, Latin America, comprising Argentina, Brazil, Chile, Colombia and Mexico. Prior to joining the Group, Johnny was Vice President Finance for the UK and Ireland Division of Hilton Hotels and served in a variety of audit and transactional services and international/client secondments at PricewaterhouseCoopers LLP.

**Current external appointments**

None.



OUR BOARD CONTINUED



**GARY GREEN**

**EG (60)**

**GROUP CHIEF OPERATING OFFICER, NORTH AMERICA**

Appointed to the Board in April 2007 and became Group Chief Operating Officer, North America in April 2012.

**Key skills and competencies**

Gary brings strong business and operational leadership as well as business development and wide ranging sales experience.

**Career**

Gary is a Chartered Accountant and in 2001 received an honorary doctorate from Johnson & Wales University in the USA. Gary joined the Group in 1986 in a senior finance role in the UK and became a UK director in 1992. He relocated to the USA in 1994 as Chief Finance Officer of the Group's North American business and in 1999 became Chief Executive Officer.

**Current external appointments**

None.



**DON ROBERT**

**ACNR (58)**

**SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR (SID)**

Joined the Board in May 2009. Appointed SID on 1 October 2015.

**Key skills and competencies**

Don has extensive international board and general management experience, especially in the financial sector.

**Career**

Don was formerly the Chief Executive Officer of Experian plc, Chairman of the Consumer Data Industry Association and Trustee of the Education and Employers Taskforce and previously held positions with First American Corporation, Credco, Inc. and US Bancorp.

**Current external appointments**

Chairman of Experian plc, Achilles Holdco Limited and Validis Holdings Limited. Don is also a non-executive director of the Court of the Bank of England.



**CAROL ARROWSMITH**

**ACNR\* (63)**

**NON-EXECUTIVE DIRECTOR**

Appointed to the Board in June 2014.

**Key skills and competencies**

Carol brings extensive advisory experience, especially of advising boards on executive remuneration across a range of sectors.

**Career**

Carol is a former partner and advisor of Deloitte LLP and was Vice Chairman of the UK business and former director of the Remuneration Consultants Group. Carol is a Fellow of the Chartered Institute of Personnel and Development.

**Current external appointments**

Member of the Advisory Group for Spencer Stuart, director and trustee of Northern Ballet Limited, a non-executive director of TMF Group PLC and director of Arrowsmith Advisory Limited.



**JOHN BASON**

**A\*CNR (60)**

**NON-EXECUTIVE DIRECTOR**

Appointed to the Board in June 2011.

**Key skills and competencies**

John brings significant financial and international experience to the Board, gained from his long career with major global businesses.

**Career**

Member of the Institute of Chartered Accountants in England and Wales. John was previously Finance Director of Bunzl plc and former trustee of the Voluntary Service Overseas.

**Current external appointments**

Finance Director of Associated British Foods plc and Chairman of the charity FareShare.



### STEFAN BOMHARD

A C N R (50)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in May 2016.

#### Key skills and competencies

Stefan brings extensive experience of working in international environments, particularly relating to the operation, sales and marketing of well-known consumer food and drink brands.

#### Career

Stefan was previously Regional President, Europe, Geneva at Bacardi Martini for five years and held a number of worldwide senior positions at Cadbury Plc, Unilever PLC, Diageo plc, Burger King and Procter & Gamble.

#### Current external appointments

Chief Executive Officer of Inchcape plc.



### NELSON SILVA

A C \* N R (62)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in July 2015.

#### Key skills and competencies

Nelson has considerable executive management experience in a variety of senior leadership roles within major international companies, with a particular focus on Brazil.

#### Career

Nelson was formerly President of the Aluminium business unit at BHP Billiton, based in the UK. Prior to joining BHP Billiton, he held a number of senior positions at Vale, including Sales and Marketing Director based in Belgium, Japan and Brazil. Nelson was also Managing Director of Embraer for Europe and Africa, based in France, and Chief Executive Officer of All Logística in Argentina.

Nelson previously held the position of Senior Vice President of BG Group plc responsible for Brazil, Bolivia and Uruguay. He is a former board member of the Brazilian Institute of Oil and Gas, the Brazilian Association of Petroleum Companies and of the Social and Development Council of Brazil's Presidency. Nelson was formerly a senior consultant to BHP Billiton Brazil and a Board Member of the Brazilian Symphonic Orchestra.

#### Current external appointments

Executive director of Petróleo Brasileiro S.A.



### IREENA VITTAL

A C N R (49)

#### NON-EXECUTIVE DIRECTOR

Appointed to the Board in July 2015.

#### Key skills and competencies

Ireena brings strong advisory, business and operational experience across a variety of retail businesses, with a particular focus on India.

#### Career

Ireena was formerly a non-executive director of Zomato Media Private Limited, GlaxoSmithKline Consumer Healthcare and Axis Bank Limited, Head of Marketing and Sales at Hutchinson Max Telecom and partner at McKinsey and Company.

#### Current external appointments

Non-executive director of Godrej Consumer Products Limited, WIPRO Limited, The Indian Hotels Company Limited, Tata Global Beverages Limited, Tata Industries, Titan Company Limited and Cipla Limited.

Please refer to page 66 in respect of Mrs Vittal's portfolio review and rationalisation.



### MARK WHITE

A ° C D E G ° N ° R ° (57)

#### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Joined the Group as Group General Counsel and Company Secretary in June 2007.

#### Key skills and competencies

Mark has extensive legal and corporate secretariat experience gained in a number of major international businesses.

Mark is also a Trustee of the Compass Group Pension Plan and the Compass Retirement Income Savings Plan.

#### Career

Mark is a Solicitor. He was previously Group Company Secretary and General Counsel of Wolseley plc and Company Secretary of Enterprise Oil plc and Rotork p.l.c.

#### Current external appointments

Member of the Upper Tribunal, Tax and Chancery Chamber and of the First-tier Tribunal, General Regulatory Chamber.

### BOARD COMMITTEE MEMBERSHIP

A	Audit Committee	page 54
C	Corporate Responsibility Committee	page 62
D	Disclosure Committee	page 53
E	Executive Board	page 53
G	General Business Committee	page 53
N	Nomination Committee	page 65
R	Remuneration Committee	page 68
*	Chairman	
°	Secretary	

CORPORATE GOVERNANCE

**DIRECTOR EFFECTIVENESS AND TRAINING**

The Board meets regularly during the year as well as on an ad hoc basis, as required by business needs. The Board met six times during the year and director attendance for each meeting is shown in the table below.

**MEETINGS ATTENDANCE**

NAME	ATTENDANCE <sup>1</sup>
Carol Arrowsmith	6 of 6
John Bason	6 of 6
Dominic Blakemore	6 of 6
Stefan Bomhard	6 of 6
Richard Cousins	6 of 6
Gary Green	6 of 6
Susan Murray <sup>2</sup>	2 of 2
Don Robert	6 of 6
Nelson Silva	6 of 6
Johnny Thomson	6 of 6
Ireena Vittal	6 of 6
Paul Walsh	6 of 6

1. The number of meetings attended out of the number of meetings eligible to attend.
2. Stepped down from the Board and its committees at the conclusion of the Company's AGM on 2 February 2017.

If a director is unable to attend a Board or committee meeting, the Chairman of the Board and/or committee chairman are informed and the absent director is encouraged to communicate comments and opinions on the matters to be considered. Each director also attends the AGM to answer shareholder questions.

Board activities are structured to help the Board achieve its goals and to provide support and advice to the executive management team on the delivery of Group strategy within a robust governance framework.

Throughout the year, the Board received presentations from colleagues from across the Group and regularly reviewed the periodic financial results, market consensus, competitor updates, merger and acquisition opportunities, capital expenditure and other matters. We have set out some highlights from the Board's calendar during 2016-2017 below.

Meetings between the non-executive directors, both with and without the presence of the Group Chief Executive, are scheduled in the Board's annual programme. During the year, non-executive directors met on several occasions without the presence of executives. These meetings were encouraged by the Chairman and provide the non-executive directors with a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and committee meetings and strengthening working relationships.

# A Board's Eye View

**NOVEMBER 2016**

- review of HSE performance
- review of financial performance
- reviewed the draft final results announcement
- considered the likely level of final dividend for the year ended 30 September 2016
- appointed a committee of the Board to deal with matters related to the Company's 2016 Annual Report and Accounts including:
  - recommendation of the final dividend
  - approval and release of the final results announcement
  - consideration of the Audit Committee's advice as to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides sufficient information for shareholders to assess the Company's position and performance, business model and strategy
  - oversight of the preparation and approval of the Annual Report and Accounts together with the Notice of Annual General Meeting and Proxy Card
- received a business presentation from a senior colleague of the Group's Latin American business (Argentina, Brazil, Chile, Colombia and Mexico)

**FEBRUARY 2017**

- review of HSE performance
- review of financial performance
- attended the Company's AGM
- received a presentation related to digital and other technological advancements used, or to be used, in the business
- Education sector update

**MARCH 2017**

- review of HSE performance
- review of financial performance
- reviewed shareholder return options including the quantum, mechanics, funding and timing of return
- attended offsite Board and committee meetings which were held in San Francisco and Palo Alto, giving the Board an insight into the cultural tone of the organisation in the USA both at client sites and elsewhere
- considered the Group's biannual major risk assessment review

**MAY 2017**

- review of HSE performance
- review of financial performance
- reviewed the draft interim results announcement and provisional recommendation with regard to the rate of interim dividend
- reviewed further details of Shareholder Return and Share Capital Consolidation options including a draft shareholder circular
- participated in the internal evaluation of the Board

In addition to routine financial and operating reports and updates (including health and safety) the Board spends time debating and formulating Group strategy, its performance and review.

Each year, the Board aims to hold two meetings at Group locations. By going out into the business, the directors are able to meet with a diverse group of colleagues on a more informal basis which greatly assists in the succession planning process. These visits provide an opportunity to assess local management performance and potential, to gain further insight into how the business works on a day to day basis and to speak first hand to local management and listen to their views.

The format of visits often comprises a macroeconomic overview of the country; its social and political systems; challenges and opportunities; a review of the competitive landscape; and a detailed review of the relevant business sectors in which the business operates, its people, as well as the three year plan.

The Board has established a procedure for directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. Every director also has access to the Group General Counsel and Company Secretary, who is charged with ensuring that Board procedures are followed and that good corporate governance and compliance are implemented throughout the Group. Together with the Group Chief Executive and the Group General Counsel and Company Secretary,

the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved to it. Board papers and other information are distributed in a timely fashion to allow directors to be properly briefed in advance of meetings. In accordance with the Company's Articles of Association, directors have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage where a director is proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers.

In accordance with best practice, the Chairman addresses the developmental needs of the Board as a whole, with a view to further developing its effectiveness as a team, and ensures that each director refreshes and updates his or her individual skills, knowledge and expertise.

A formal, comprehensive and tailored induction is given to all non-executive directors following their appointment, including access to external training courses, visits to key locations within the Group and meetings with members of the Executive Board and other key senior executives. The induction also covers a review of the Group's governance policies, structures and business, including details of the risks and operating issues facing the Group.

- appointed a committee of the Board to agree and to deal with matters related to the half year ended 31 March 2017 and also the Shareholder Return and Share Capital Consolidation, including approval of the interim accounts prepared in accordance with section 838 of the Companies Act 2006 (CA 2006)
- received a presentation from a senior colleague regarding the Group's DACH business (Germany, Austria and Switzerland)

#### JUNE 2017

- review of HSE performance
- review of financial performance
- attended the General Meeting related to the £1 billion Shareholder Return and Share Capital Consolidation, which was approved by shareholders on 7 June 2017 and subsequently completed on 17 July 2017

#### JULY 2017

- review of HSE performance
- review of financial performance
- update on the Shareholder Return and Share Capital Consolidation
- received a business review from senior colleagues of the Group's Iberian business (Spain and Portugal) including a review of the demographics of the Iberian geographies, macroeconomics, sectoral mix, revenue and profit projections and a preview of a video used by the Spanish business to raise HSE awareness amongst colleagues
- reviewed the outcome of the internal Board evaluation which took place in May 2017
- treasury update and financing proposal for 2017-2018 from the Head of Group Treasury, including a summary of key policies and the control framework
- tax update from the Head of Group Tax

#### SEPTEMBER 2017

- review of HSE performance
- review of financial performance
- reviewed and agreed the 2017-2018 budget and three year plan covering matters such as revenue trends across geographies, the impact of foreign exchange, cashflow and likely capital investment
- annual litigation update from the Group General Counsel and Company Secretary
- considered the Group's biannual major risk assessment review
- review of the Canteen vending business in the USA
- Business & Industry sector update

### CORPORATE GOVERNANCE CONTINUED

Succession planning is a matter for the whole Board, rather than for a committee. The Company's Articles of Association provide that one third of the directors retire by rotation each year and that each director will seek re-election at the AGM every three years. However, in accordance with the Code, all directors submit themselves for annual re-election by shareholders. New directors may be appointed by the Board, but are subject to election by shareholders at the first opportunity after their appointment. The Articles of Association limit the number of directors to not less than two and not more than 20, save where shareholders decide otherwise. Non-executive directors are normally appointed for an initial term of three years, which is reviewed and may be extended by two further three year terms. It is Board policy that non-executive director appointments should last for no more than nine years.

Don Robert acts as the SID. His role includes providing a sounding board for the Chairman and acting as an intermediary for the non-executive directors, where necessary. The Board believes that Don has the appropriate experience, knowledge and independence to continue in this role.

There were a number of changes made to the composition of the Board during the year. On 21 September 2017, we announced that Dominic Blakemore would become Deputy Group Chief Executive with effect from 1 October 2017. Dominic will succeed Richard Cousins as Group Chief Executive on 1 April 2018 and Richard will retire from the Group on 30 September of the same year.

On 2 February 2017, Susan Murray retired from the Board having completed her nine year tenure as a non-executive director and was succeeded as Chairman of the Corporate Responsibility Committee by Nelson Silva.

#### MAINTAINING A DIALOGUE WITH SHAREHOLDERS

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. The Group Chief Executive, Group Finance Director and the Investor Relations and Corporate Affairs Director regularly meet with institutional investors to discuss strategic issues and to make presentations on the Company's results.

As well as full and half year results and quarterly trading updates, the Company publishes Regulatory News Service announcements through the London Stock Exchange and runs an active investor relations engagement programme.

The Group General Counsel and Company Secretary also acts as an important focal point for communications on corporate governance matters throughout the year, but with a particular intensity leading up to, during and after shareholder meetings.

The Company's website provides an excellent means of communicating with and receiving communications from shareholders, potential investors and the wider stakeholder community. The website contains an archive of information on the Company's history, leadership, governance, policies, financial results, dividend history and up to date share price information.

Although the non-executive directors are not formally required to meet the shareholders of the Company, their attendance at presentations of the interim and annual results is encouraged.

All of our shareholders are invited to attend our AGM which provides a forum in which shareholders can put questions to the Board and the committee chairmen. It also provides shareholders with an opportunity to meet with directors on a more informal basis after the meeting.



The Board would like to thank all those shareholders who took time to attend shareholder meetings during the year. The Notice of Meeting for the 2018 AGM, which is due to be held on Thursday 8 February 2018 at Twickenham Stadium, can be found on pages 185 to 194. We look forward to seeing you there.

#### BOARD EFFECTIVENESS

The Chairman is responsible, with assistance from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, expertise and experience. Every year, a performance evaluation of the Board and its committees is carried out to ensure that they continue to be effective, that each of the directors demonstrates commitment to his or her respective role and has sufficient time to meet his or her commitment to the Company.

An independent external evaluation was conducted by EquityCommunications Limited (ECL) in May 2016 in line with the mandated triennial external requirement set out in the Code. This was the second occasion on which ECL had conducted an independent, externally facilitated Board evaluation.

The 2016 evaluation undertaken by ECL took the form of one-on-one interviews with all members of the Board and the Group General Counsel and Company Secretary. It covered questions about Board administration, strategy and operations, Board composition, committee structure and succession planning. ECL's report on the outcome of the evaluation was presented to the Board at its September 2016 meeting and was summarised in the 2016 Annual Report and Accounts.

This year, an internal performance evaluation was conducted by the Chairman and the Group General Counsel and Company Secretary, taking into account the principal themes which had emerged from the preceding external evaluation, notably, the increasing contribution of the newer non-executive directors to utilise their skill sets for the greater benefit of the Group.



The recruitment of future non-executive directors and their need for PLC experience was also considered to be important with a view to replenishing the extensive PLC experience that will be lost in the medium term as non-executive directors reach their nine year maximum tenures. The 2016 Report noted that the then prospective retirement of Susan Murray would present a challenge as it would mean that the Company was some way short of achieving the latest voluntary target set by Lord Davies to have 33% female representation on the Board by 2020 and this would need to be given close consideration when recruiting a new director. Prior to making an appointment, the Nomination Committee evaluates the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, will prepare a description of the role and capabilities required, with a view to making a recommendation to the Board of the best placed individual for the role. However, the Board and the Nomination Committee will take the 2020 target set by Lord Davies, as well as Sir John Parker's initial recommendations on diversity, into consideration when recruiting future directors.

It is the view of the Board that each of the non-executive directors brings considerable management expertise and an independent perspective to the Board's deliberations and that they are considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgement. Overall, the Board considered the performance of each director to be effective and concluded that both the Board and its committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development in the year ahead.

### CONFLICTS OF INTEREST

As part of their ongoing development, the executive directors may seek one external non-executive role on a non-competitor board, for which they may retain the remuneration in respect of the appointment. In order to avoid any conflict of interest, all appointments are subject to Board approval and the Board monitors the extent of directors' other interests and the time commitment required to fulfil those interests to ensure that its effectiveness is not compromised.

Each director has a duty under the CA 2006 to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. This duty is in addition to the obligation that he or she owes to the Company to disclose to the Board an interest in any transaction or arrangement under consideration by the Company. The Company's Articles of Association authorise the directors to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. The Board follows an established procedure when deciding whether to authorise an actual or potential conflict of interest. Only independent directors (i.e. those who have no interest in the matter under consideration) will be able to make the relevant decision and, in making the decision, the directors must act in good faith and in a way they consider will be most likely to promote the Company's success. Furthermore, the directors may, if appropriate, impose limits or conditions when granting authorisation.

Any authorities are reviewed at least every 15 months. The Board considered and authorised each director's reported actual and potential conflicts of interest at its July 2017 Board meeting and considers any changes on an ad hoc basis throughout the year.

### COMMITTEES OF THE BOARD

As noted on page 44, the Board has established a number of committees to assist in the discharge of its duties.

The formal terms of reference for the principal committees, approved by the Board and complying with the Code, are available from the Group General Counsel and Company Secretary and can also be found at [www.compass-group.com](http://www.compass-group.com). Terms of reference are reviewed annually by their respective committees and updated when necessary to reflect changes in legislation or best practice.

Directors who are not members of individual Board committees may be invited to attend one or more meetings of those committees during the year.

The Group General Counsel and Company Secretary acts as Secretary to all Board committees. The chairmen of each of the principal committees attend the AGM to respond to any shareholder questions that might be raised on a committee's activities.

In addition to the principal committees, the Board has established the following committees:

#### DISCLOSURE COMMITTEE

The Disclosure Committee ensures the accuracy and timeliness of public announcements of the Company and monitors the Company's obligations under the UKLA Rules and the DGTR.

Meetings are held as required. At the date of this Report, the Disclosure Committee comprises Johnny Thomson, Group Finance Director; Mark White, Group General Counsel and Company Secretary; the Group Financial Controller; the Director of Group Internal Audit; the Group Director of Strategy and the Investor Relations and Corporate Affairs Director.

#### EXECUTIVE BOARD

The Executive Board is the key management committee for the Group and, at the date of this Report, comprises the executive directors of the Company and Robin Mills (Group HR Director); Sandra Moura (Investor Relations and Corporate Affairs Director); Alfredo Ruiz Plaza (Regional Managing Director, Latin America); Mark van Dyck (Regional Managing Director, Asia Pacific); and Mark White (Group General Counsel and Company Secretary).

The Executive Board meets regularly and is responsible for developing the Group's strategy, capital expenditure and investment budgets. It reports on these areas to the Board for approval, implementing Group policy, monitoring health and safety, financial, operational and customer quality of service performance, purchasing and supply chain issues, succession planning and day to day management of the Group.

#### GENERAL BUSINESS COMMITTEE

The General Business Committee comprises all of the executive directors and meets as required to conduct the Company's business within clearly defined limits delegated by the Board and subject to those matters reserved to the Board.

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#### CORPORATE RESPONSIBILITY COMMITTEE PAGE 62

#### NOMINATION COMMITTEE PAGE 65

#### REMUNERATION COMMITTEE PAGE 68

AUDIT COMMITTEE REPORT



## Overseeing rigorous and effective controls

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 which has greatly contributed to the success of your Company is not inhibited.

As part of our internal audit process, we continue to increase the use of technology to perform analysis in large populations of data and embed analytics in every phase of the audit process.

We are using analytics to select samples, ask the right questions, identify exceptions and share with management those analyses that can help them to monitor and provide insights to our business.

During the year, audits were conducted by the external auditor covering businesses which generated 96% of the Group's annual revenue for 2016-2017.

As Chairman of the Audit Committee and as a fellow shareholder, I am pleased to report that the external auditor has issued an unmodified audit opinion.

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 30 September 2017. In the pages which follow we give an insight into the activities and workings of the Committee during the year.

### AREAS OF FOCUS

As in previous years, our primary focus has been centred on key issues related to the Group's financial reporting, such as accounting judgements, internal control activities, compliance matters and the ongoing quality of related disclosures. We have also covered other important areas, such as a review of the Company's Viability and Going Concern Statements, and performed the related financial stress testing in order to meet the requirements of the Code.

### NON-FINANCIAL REPORTING INFORMATION

Earlier this year, the EU Non-Financial Reporting Directive was implemented into English law as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. The Directive requires companies with financial years beginning on or after 1 January 2017 to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance and position and impact of its activity. The Committee was able to offer advice to the Board on the reporting requirements of the Directive and will ensure that the Company is compliant with the Directive and includes the necessary disclosures in the 2018 Annual Report.

### EXTERNAL AUDITOR

Mr Sykes has been the key senior audit engagement partner since KPMG LLP (KPMG) was appointed as the Company's external auditor in 2014 and will therefore rotate off the Company's audit after the completion of the external audit of the Company's financial statements for the year ending 30 September 2018. To ensure a seamless transition, the Committee will oversee the succession from Mr Sykes as part of the audit process for the year ending 30 September 2018.

The external auditor timeline can be found on page 59.

## RISK APPETITE, PRINCIPAL OPERATIONAL RISKS AND RISK ASSURANCE

The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process. 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 which has greatly contributed to the success of the Company is not inhibited. The Committee and the Board remain satisfied that the Company's internal risk control framework continues to provide the necessary element of flexibility without compromising the integrity of risk management and internal control systems.

We continue to develop and grow our business but, of course, in some of the territories where we operate, the concept of corporate governance is still underdeveloped. In these regions in particular, it is important to have a clear, well-established system of risk management and internal control to ensure that growth is underpinned by solid business practice. In this regard, we have continued to strengthen our Regional Governance Committees (RGCs) with the aim of further embedding the Group's risk management culture within the business.

In 2016, the Board established a Group Risk Management Committee (RMC) to assist the Audit Committee with its work. RMC membership comprises a multi-disciplinary team of key individuals who are involved with the day to day governance of the Group. The Chairman of the Committee is the Group Finance Director and the membership comprises the Group General Counsel and Company Secretary, the Director of Group Internal Audit, the Investor Relations and Corporate Affairs Director, the Group HR Director and the Group Director of Strategy. The Committee is satisfied that the work being performed by the RMC, in conjunction with the efforts of their colleagues in the Group's RGCs, further embeds the Group's risk management culture within the business. It also provides an additional layer of oversight to help underpin the assurances given by the Committee to the Board in connection with the appropriateness of the Group's financial reporting; the effectiveness of the internal and external audit functions; the management of the Group's systems of internal control and business risks; and related compliance activities.

The Committee had oversight of a robust annual review and assessment of the principal risks and uncertainties of the Group. The review was conducted internally by a multi-disciplinary team. The purpose of the review was to determine in the context of the macroenvironment and Group strategy: (i) if the principal risks and uncertainties disclosed in the 2016 Annual Report applied to the current financial year; (ii) if yes, whether there had been any year on year variance to the status of each risk; (iii) if no, what should be taken out/included?

As set out in the Principal Risks section on pages 34 to 36, last year's risks continue to be pertinent, albeit that our perception of how these risks have, as appropriate, remained static, increased or diminished may have changed.

The Committee continues to monitor the potential impact of the UK's decision to leave the EU. However, while there is still significant uncertainty about the withdrawal process, its timeframe and the outcome of negotiations about future arrangements between the UK and the EU, it is still too early to properly understand the impact on the business. We are also closely monitoring the political landscape in the USA where the Group has a significant operational presence. The new administration has signalled its intention to make broad policy changes, some of which are in respect of trade and tax, and we will continue to assess the impact of any changes and the extent to which they are passed.

## FAIR, BALANCED AND UNDERSTANDABLE

The Code provides that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's prospects. At the Board's request, the Committee has reviewed the 2017 Annual Report to determine whether it considered that the document, taken as a whole, meets this standard and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee has concluded that this requirement has been met.

On pages 26 and 27 and throughout this Report, we track our performance against a mix of financial and non-financial KPIs, which the Board and executive management consider best reflect our strategic priorities. The Committee has considered these KPIs and is satisfied that the information that has been selected by the Board and the executive management will help to convey an understanding of the culture of the business and the drivers which contribute to its ongoing success and will be of interest to stakeholders.

## THE YEAR AHEAD

The Committee continues to play a key role within the governance framework and, in the year ahead, the Committee will continue to monitor the ongoing status and progress of action plans against key risks on a regular basis; review its activities in the light of regulatory and best practice developments; and report its findings to the Board.



**John Bason**  
Chairman of the Audit Committee

21 November 2017

## AUDIT COMMITTEE REPORT CONTINUED

## THE AUDIT COMMITTEE

## COMPOSITION

The Audit Committee comprises John Bason, Chairman, and all of the non-executive directors in office at the date of this Report. Members of the Audit Committee are appointed by the Board following recommendation by the Nomination Committee. The Audit Committee's membership is reviewed by the Nomination Committee and is assessed in the context of the range of skills, knowledge and experience required by the Code and also as part of the annual Board performance evaluation.

The members of the Audit Committee have been chosen to provide the wide range of financial and commercial experience needed to undertake its duties and each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience in multinational and/or complex organisations, combined with a sound understanding of the Company's business, and is therefore considered by the Board to be competent in the Company's sector. The expertise and experience of the members of the Audit Committee are summarised on pages 48 and 49. The Board considers that each member of the Audit Committee is independent within the definition set out in the Code and is capable of assessing the work of management and the assurances provided by the internal and external audit functions. The Audit Committee's Chairman, John Bason, is the Finance Director of Associated British Foods plc and is therefore considered by the Board to have significant, recent and relevant financial experience and to be competent in auditing and accounting.

All members of the Audit Committee receive an appropriate induction, covering the role and remit of the Committee and an overview of the business, its financial dynamics and its risks and, where appropriate, meetings with key individuals. Audit Committee members are expected to have an understanding of the principles of, and recent developments in, financial reporting, including the applicable accounting standards and statements of recommended practice, key aspects of the Company's policies, financing, internal control mechanisms, and matters that require the use of judgement in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Audit Committee undertake ongoing training as required.

The Audit Committee meets throughout the year and its agenda is linked to events in the Company's financial calendar. Each member of the Audit Committee may require reports on matters of interest in addition to the regular items. The Audit Committee met three times during the year with an appropriate interval between each of the meetings to ensure that work arising from Committee meetings could be carried out and reported back to the Board, as appropriate. Members' attendance at the meetings is set out in the table.

## MEETINGS ATTENDANCE

NAME	ATTENDANCE <sup>1</sup>
John Bason	3 of 3
Carol Arrowsmith	3 of 3
Stefan Bomhard	3 of 3
Susan Murray <sup>2</sup>	1 of 1
Don Robert	3 of 3
Nelson Silva	3 of 3
Ireena Vittal	3 of 3

1. The number of meetings attended out of the number of meetings each director was eligible to attend.
2. Stepped down from the Board and its committees at the conclusion of the Company's AGM on 2 February 2017.

The Audit Committee invites Paul Walsh, Chairman; Richard Cousins, Group Chief Executive; Johnny Thomson, Group Finance Director; the Group Financial Controller; and the Director of Group Internal Audit, together with senior representatives of the external auditor, to attend each meeting although, periodically, it reserves time for discussions without invitees being present. Other senior management are invited to present such reports as are required for the Audit Committee to discharge its duties.

The Chairman of the Audit Committee keeps in touch with key individuals involved with the Company's governance, including the Group Chief Executive, Group Finance Director, the Group General Counsel and Company Secretary, the Director of Group Internal Audit and the external auditor's lead engagement partner, and attends the AGM to respond to any shareholder questions that might be raised concerning its activities. The remuneration of the members of the Audit Committee and the policy with regard to the remuneration of the non-executive directors are set out on pages 83 and 93.

## OBJECTIVES

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

## ACTIVITY DURING THE YEAR

The key matters reviewed and evaluated by the Audit Committee during the year are set out below:

## Financial reporting

- the appropriateness of the interim and annual financial statements (including the announcements thereof to the London Stock Exchange) with both management and the external auditor, including:
  - at the Board's request, whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
  - the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements and guidelines, including the European Securities and Markets Authority Guidelines on Alternative Performance Measures which have applied to all publications of regulated information since 3 July 2016

- discussing the critical accounting policies and use of assumptions and estimates, as noted in section B of the accounting policies on pages 113 and 114 of this Annual Report, and concluding that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Company's accounting policies. This included, for example, the consideration of any goodwill impairment assessments and how these were addressed
- the material areas in which significant judgements have been applied, namely:
  - considering the nature and quantum of the purchasing income earned by the Group during the financial year. It also assessed the extent to which the amounts recognised required estimation and reviewed the recoverability of amounts accrued at the year end with reference to aged analyses and subsequent cash receipts. Nothing arose during the course of this review to indicate that anything but limited judgement was required, or that purchasing income had not been accounted for in accordance with the Group's accounting policies
  - the level of provisioning for liabilities (including tax) where management, accounting and legal judgements are important. The Committee discussed with management the key judgements made, in particular, the policy efforts being led by the EU and OECD which may have a material impact on the taxation of all international businesses, including relevant legal advice. The external auditor also reports on all material provisions to the Committee
- the Going Concern and Viability Statements
- non-financial information

#### OTHER MATTERS

In addition to its key role in the financial reporting process, the Audit Committee also considered the following as well as developments in regulation, such as in relation to the retendering of audit services:

ITEMS DISCUSSED	NOV 2016	MAY 2017	SEPT 2017
<b>INTERNAL AUDIT</b>			
• approval of the Group's internal audit plan, risk controls and the review of internal audit activity reports and updates	•	•	•
• consideration of Group internal audit's review of key financial controls and rollout of key IT controls		•	•
<b>EXTERNAL AUDIT</b>			
• audit report on interim results		•	
• approval and review of the proposed audit plan and procedures		•	•
– review of auditor effectiveness/independence following KPMG's third year as external auditor		•	
– agreement of external auditor fees for 2017-2018		•	
– review of the policy and update of the provision of non-audit services provided by the external auditor	•	•	•
– assessment of the deployment of the audit plan			•
<b>OTHER MATTERS</b>			
• litigation and contingent liabilities	•	•	•
• triennial actuarial valuation of the Group's UK post retirement obligations	•		
• operation of the Group's Speak Up whistleblowing policy	•	•	•
• country and theme specific audit matters	•	•	•
• the RGC structure and the outputs from committee meetings	•	•	•
• tax matters, including provisioning for potential current tax liabilities and the level of deferred tax asset recognition as well as compliance with statutory tax reporting obligations	•	•	•
• certificates of assurance from local management	•		
• terms of reference: annual review			•



### AUDIT COMMITTEE REPORT CONTINUED

#### FRC REVIEW OF THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

During the year, the Group received a letter from the FRC confirming that the Annual Report for the year ended 30 September 2016 had been subject to review by its Conduct Committee, which is responsible for reviewing and investigating the annual accounts, directors' and strategic reports of UK public companies. The only substantive question included in this enquiry was a request for the Company to provide further details supporting the recognition of the accounting surplus of the UK defined benefit pension scheme (see note 20). As a result of the FRC's enquiry, we committed to providing additional disclosures on the nature of the UK defined benefit pension scheme's accounting surplus and the rationale for its recognition (see page 118). The FRC's enquiry closed with no further questions.

The FRC noted that its role was not to verify information, but to consider compliance with reporting requirements, and it did not take responsibility for reliance on its letter by any party.

#### EXTERNAL AUDITOR

KPMG has been the Company's auditor since 2014. In line with applicable legislation and best practice, no one can act as an engagement partner for a listed company for more than five years and, thereafter, there has to be a five year gap before the same individual can undertake that role in the Company. As noted on page 54, Mr Sykes will cease to be the senior audit engagement partner on completion of the audit of the Company's financial statements for the year ending 30 September 2018 and the Committee will oversee the transition to Mr Sykes' successor.

To ensure objectivity, key members of the audit team rotate off the Company's audit. To safeguard the independence of the Company's external auditor and the integrity of the audit process, the recruitment of senior employees from the Company's auditor is not permitted for a period of at least two years after they cease to be involved in the provision of services to the Company.

The Company is required to tender its auditors every 10 years and the Committee currently intends to tender its auditors sometime in 2023-2024 with a view to the chosen firm being appointed in 2024.

#### EXTERNAL AUDIT

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The Committee reserves oversight responsibility for monitoring the auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit Committee is responsible for the retendering selection process and recommends the appointment, reappointment and removal of the Company's external auditor, and considers the risks associated with its withdrawal from the market in its risk evaluation and planning. The Audit Committee also reviews and sets the terms, areas of responsibility and scope of the audit as set out in the external auditor's engagement letter; the overall work plan for the forthcoming year, together with the associated fee proposal and cost effectiveness of the audit; the external auditor's independence; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; the recommendations made to management by the auditor and management's response; and the auditor's overall performance.

The Company operates a policy on non-audit fees which it reviews annually and discloses the ratio of audit to non-audit fees paid in each financial year.

The Audit Committee monitors the extent of non-audit work which the external auditor can perform, to ensure that the provision of those non-audit services that can be undertaken by the external auditor falls within the agreed policy and does not impair its objectivity or independence. Following the change of external auditor in 2014, the Committee agreed that Deloitte LLP should continue to provide tax services to the Group and has amended its policy on the provision of non-audit services by the external auditor accordingly, to exclude such services. Therefore, the external auditor should be excluded from providing the Company with general consultancy and all other non-audit services, unless there is no other competent and available provider. Engagements for non-audit services that are not prohibited are subject to formal approval by the Audit Committee based on the level of fees involved. Non-audit services that are pre-approved are either routine in nature with a fee that is not significant in the context of the audit or are audit related services.

Within the constraints of applicable UK rules, the external auditor has traditionally undertaken some due diligence reviews and other pieces of non-audit work. The provision of non-audit services within such constraints and the agreed policy is assessed on a case by case basis so that the best placed advisor is retained. Principal non-audit services provided by KPMG and approved by the Audit Committee during the year ended 30 September 2017 primarily comprised assistance on audit related services.

During the year, the Audit Committee reviewed KPMG's fees for its services performed to 30 September 2017, its effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The review included a formal evaluation process involving the use of questionnaires completed by finance teams around the Group.

The Audit Committee also considered the robustness of the 2017 audit, the degree to which KPMG was able to assess key accounting, and audit judgements and the content of the management letter issued by the external auditor. The Audit Committee concluded that both the audit and the audit process were effective.

The total fees paid to KPMG in the year ended 30 September 2017 were £5.2 million of which £0.3 million related to non-audit work (2016: £5.1 million of which £0.7 million related to non-audit work). Further disclosure of the non-audit fees paid during the year can be found in note 2 to the consolidated financial statements on page 124.

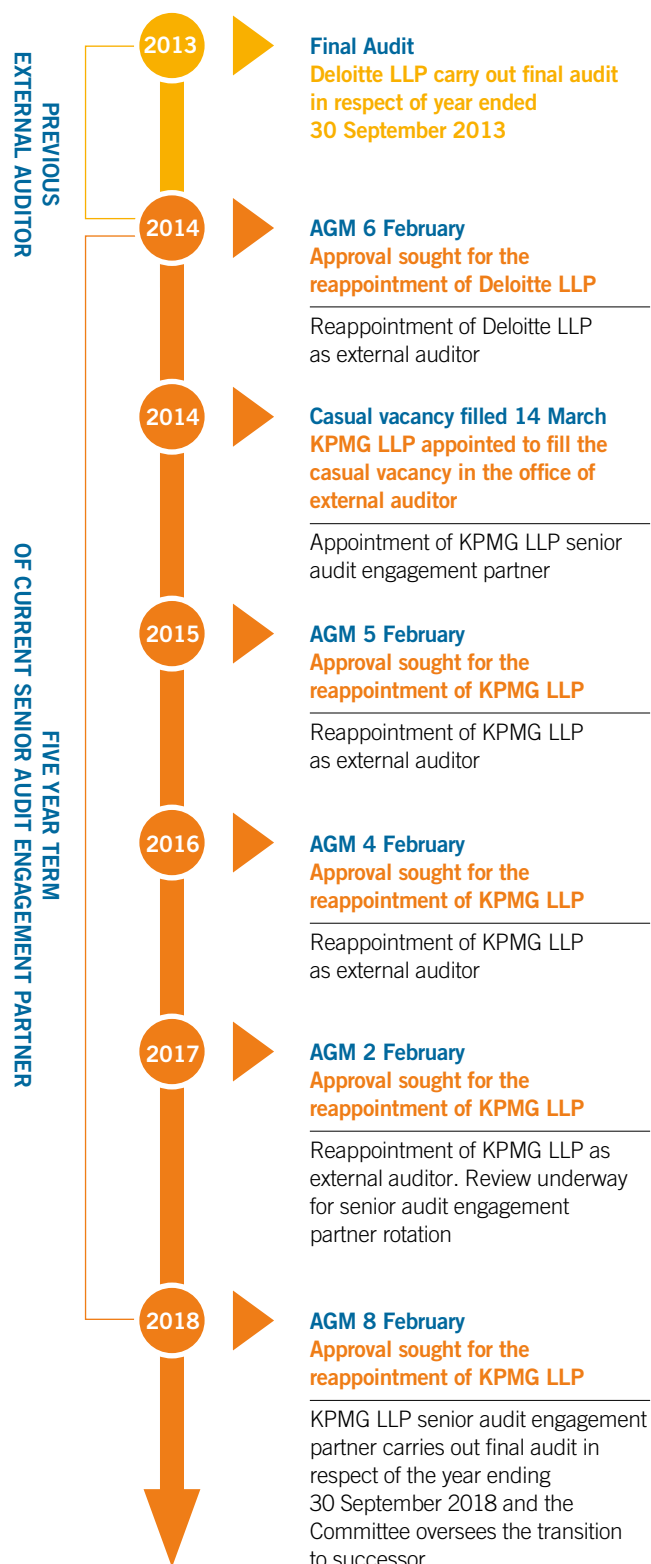
### FRC AUDIT QUALITY REVIEW

During the year, the 2016 external audit of the Group by KPMG was reviewed by the FRC's Audit Quality Review team (AQR). The AQR routinely monitors the quality of audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. The Committee and KPMG have discussed the review findings, which were incorporated into the 2017 audit work. The Committee does not consider any of the findings to have had a significant impact on KPMG's audit approach.

### REAPPOINTMENT OF AUDITOR

There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation to shareholders on the reappointment of KPMG, the Committee took into account, amongst other matters, the tenure, objectivity and independence of KPMG and its continuing effectiveness and cost as well as the availability of firms within the wider audit market. KPMG has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing KPMG's reappointment and determination of its remuneration by the Audit Committee will be proposed at the 2018 AGM.

## EXTERNAL AUDITOR TIMELINE



### AUDIT COMMITTEE REPORT CONTINUED

#### DISCLOSURE OF RELEVANT AUDIT INFORMATION

The directors confirm that, so far as they are each aware, there is no relevant audit information of which KPMG is unaware and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that KPMG is aware of that information.

#### OUR STANDARDS

The Company remains committed to the highest standards of business conduct and expects all of its employees to act accordingly. The Group's Speak Up policy (an extension of the Code of Ethics incorporated within the Group's Code of Business Conduct (CBC) which is available in 40 languages) sets out arrangements for the receipt, in confidence, of complaints on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the Audit Committee. Speak Up is a standard review item on all internal audit work programmes. The CBC and Code of Ethics are available on the Company's website at [www.compass-group.com](http://www.compass-group.com). The Corporate Responsibility Committee retains overall responsibility for the Group's CBC programme, the training of employees and the way in which management obtain assurance in this area, including the annual self certification process which saw more than 3,500 employees confirm their continued compliance with the CBC and the Code of Ethics in the year ended 30 September 2017.

The Audit Committee also receives updates on any allegations of bribery and fraud in the business at every meeting, with individual updates being given to the Audit Committee, as needed, in more serious cases of alleged bribery, fraud or related activities. The Group's theft and anti-fraud policies are a subset of the CBC, which does not tolerate any activity involving fraud, dishonesty or deception. These policies, for which the Audit Committee retains overall responsibility, set out how allegations of fraud or bribery are dealt with, such as by the local human resources or finance team, and the frequency of local reporting that feeds into the regular updates, which are presented to the Audit Committee. Reporting of these matters to the Audit Committee is managed and overseen by the internal audit function. The Speak Up policy operates when the complaint is received through the whistleblowing channel and that policy will redirect the alleged fraud or bribery for investigation at the most appropriate level of the organisation which may, for example, be by a member of the local human resources team or, on occasion, the Audit Committee itself.

Each year, the Audit Committee critically reviews its own performance and considers where improvements can be made and in so doing it considers, amongst other things, those matters discussed by the Audit Committee, such as:

- whether the membership of the Committee meets the requirements of the Code
- whether the Committee's terms of reference are appropriate for the particular circumstances of the Company and comply with prevailing legislation and best practice
- whether the number and length of time of Committee meetings are sufficient to meet the role and responsibilities of the Committee and coincide with key dates within the financial reporting and audit cycle

This is underpinned by the annual evaluation of the Board and its committees. More details of this year's review can be found on pages 52 and 53.

#### INTERNAL AUDIT

The Audit Committee reviews the effectiveness of the Group's internal audit function and its relationship with the external auditor, including internal audit resources, plans and performance as well as the degree to which the function is free of management restrictions. Throughout the year, the Audit Committee reviewed the internal audit function's plans and its achievements against those plans. The Audit Committee considered the results of the audits undertaken by the internal audit function and the adequacy of management's response to matters raised, including the time taken to resolve any such matters.

#### INTERNAL CONTROL

The Audit Committee also reviews the integrity of any material financial statements made by the Company. It monitors and conducts a robust review of the effectiveness of the Group's internal control systems, accounting policies and practices and compliance controls (including key financial controls) as well as the Company's statements on internal control before they are agreed by the Board for each year's Annual Report. The Board retains overall responsibility for internal control and the identification and management of business risk and is assisted in this regard by a top down and bottom up process of risk identification and management which is the subject of regular interim review by RGCs. The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security and the Group's CBC. The internal audit function is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the business. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Director of Group Internal Audit as appropriate. The Audit Committee reviews internal audit reports and considers the effectiveness of the function.

In a Group where local management have considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investments and the Company's assets. The directors acknowledge that they have overall responsibility for risk management, the Group's systems of internal control, for reviewing the effectiveness of those controls and for ensuring that an appropriate culture has been embedded throughout the organisation. 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 itself, an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group. This process has been in place for the full financial year and up to the date on which the financial statements were approved.

The 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 to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. The systems provide reasonable, but not absolute, assurance against material misstatement or loss. Such systems are reviewed by the Board to deal with changing circumstances.

A summary of the key financial risks inherent in the Group's business is given on pages 34 to 36. Risk assessment and evaluation are an integral part of the annual planning cycle. Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control. As part of the review, each significant business and function has been required to identify and document each substantial risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls. Senior managers are also required to sign biannual confirmations of compliance with key procedures and to report any breakdowns in, or exceptions to, these procedures. Summarised results are presented to senior management (including to the RGCs) and to the Board.

These processes have been in place throughout the financial year ended 30 September 2017 and have continued to the date of this Report. Taken together, these processes and the reports they generate, which are considered by the Audit Committee, constitute a robust assessment of key risks and the internal controls that exist, and are designed to mitigate these risks. The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out in this Report.

#### CONTROL ENVIRONMENT

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the operation of the internal control and risk management programme to the Executive Board. The detailed review of internal control has been delegated to the Audit Committee. The management of each business is responsible for internal control and risk management within its own business and for ensuring compliance with the Group's policies and procedures. Each business has appointed a risk champion whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme. The internal and external independent auditors have reviewed the overall approach adopted by the Group towards its risk management activities so as to reinforce these internal control requirements.

#### CONTROL PROCEDURES

The Board reviews its strategic plans and objectives on an annual basis and approves Group budgets and strategies in light of these. Control is exercised at Group, regional and business level through the Group's MAP framework (as well as through the RGCs), monthly monitoring of performance by comparison with budgets, forecasts and cash targets, and by regular visits to Group businesses by the Group Chief Executive, Group Finance Director and Group Chief Operating Officers.

This is underpinned by a formal major risk assessment process, which is an integral part of the annual business cycle and is also a robust process adopted to support the Viability Statement. Each of the Group's businesses is required to identify and document major risks facing their business and appropriate mitigating activities and controls, and to monitor and report to management on the effectiveness of these controls on a biannual basis. These reports, together with reports on internal control and departures, if any, from established Group procedures prepared by both the internal and external auditors, are reviewed by the Group Finance Director and the Audit Committee. Group companies also submit biannual risk and internal control assurance letters to the Group Finance Director on internal control and risk management issues, with comments on the control environment within their operations. The Group Finance Director summarises these submissions for the Audit Committee, and the Chairman of the Audit Committee reports to the Board on any matters that have arisen from the Audit Committee's review of the way in which risk management and internal control processes have been applied.

The Board has formal procedures in place for the approval of client contracts, capital investment and acquisition projects, with clearly designated levels of authority, supported by post investment review processes for selected acquisitions, client contracts and major capital expenditure. The Board considers social, environmental and ethical matters in relation to the Group's business and assesses these when reviewing the risks faced by the Group; further information regarding environmental and ethical matters is available on pages 37 to 41. The Board is conscious of the effect such matters may have on the short and long term value of the Company.

The external auditor of the Company and the Director of Group Internal Audit attend Audit Committee meetings and receive its papers. Committee members meet regularly with the external auditor and with the Director of Group Internal Audit, without the presence of executive management.

There were no changes to the Company's internal control over financial reporting that occurred during the year ended 30 September 2017 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

## CORPORATE RESPONSIBILITY COMMITTEE REPORT



# Building on our commitments

Part of our ethos is being a responsible partner and this year we have continued to make progress in our efforts to create a more sustainable business.

The wellbeing of our colleagues around the world is important to us. We have long been building on our Safety First programme and awareness campaigns which continue to focus both management and frontline colleagues' attention on reducing risk and injury at work. A positive safety culture has been further reinforced by linking key metrics to the bonus outcomes of our global leadership team. We are actively piloting innovative programmes to encourage more inspirational safety leadership from our management teams, as well as exploring ways in which we can use technology to improve visibility of risks and hazards within our business.

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Corporate Responsibility (CR) Committee's Report for the financial year ended 30 September 2017.

This is my first statement as Chairman of the Corporate Responsibility Committee and, in the short time since I succeeded Susan Murray, I have been inspired by the hard work and enthusiasm of my colleagues. With their help, I look forward to building on the progress we have made to date.

### ACTIVITY DURING THE YEAR

#### SAFETY PERFORMANCE

Notwithstanding our focused efforts on building a positive safety culture which is supporting a year on year reduction in our lost time incident frequency rate, sadly, we had two work related fatalities in our Europe business as a result of vehicle accidents. So that we continue to make what we do safer, we have shared lessons learned from these serious events with our colleagues around the globe to try to prevent similar events from happening again.

During the year, we have been working with the British Safety Council and exploring best practice within our own business related to transport safety. We have introduced improved global policy standards and colleague engagement materials designed to boost employee awareness of the potential risks resulting from unsafe driving behaviour. You can view our policy and see examples of our engaging employee awareness campaign at [www.compass-group.com](http://www.compass-group.com).

#### GOVERNANCE

The Committee also addressed a number of governance matters and received updates from the Group General Counsel and Company Secretary on new developments in corporate governance and reporting, and considered recommendations to the Board concerning these matters.

#### SUPPLY CHAIN INTEGRITY

We continue to make steady progress in advancing our sustainable business practices, including supply chain integrity. Maintaining a visible and transparent supply chain is important for us, our clients and the millions of consumers that we serve every day. People expect our sourcing practices to be aligned to those of a responsible business partner. We want to do the right thing and to demonstrate progress against the public commitments we've made to be an ethical and sustainable organisation.

We moved forward with the roll out of our Global Supply Chain Integrity Standards which we hope, in time, will be the industry leading standards that set the benchmark for our sector.

I am particularly proud of the progress being made related to farm animal welfare in our supply chain. This year, we appointed an executive sponsor to help shape our farm animal welfare policy. This policy and its supporting standards are part of a clear road map to help drive continuous improvement in our sourcing practices. We have more to do, but it is pleasing to see that our efforts have been acknowledged by Compassion in World Farming and the Business Benchmark on Animal Welfare, where we achieved a benchmark score of Tier 4 for 2016. We await results of the 2017 assessment and hope to improve upon last year's performance.



## UNITED NATIONS' (UN) SUSTAINABLE DEVELOPMENT GOALS

During the year, we reassessed our suite of metrics for our sustainable business activities which included further refining our alignment with the UN Sustainable Development Goals (SDGs).



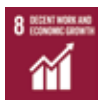
**END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE**



**ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES**



**ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS**



**PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL**



**CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT**



**PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS**



**STRENGTHEN AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT**

The review helped to shape our thinking on how we challenge our own business policies, commitments and activities; measure our performance against the goals to be achieved by 2030; and address any material impacts to our business. You can find out more about our global commitments towards the 2030 goals on pages 38 to 41.

## SLAVERY AND HUMAN TRAFFICKING

Trends towards globalisation mean that it is increasingly common for businesses to source their goods and services from different countries. This increases the task we have of maintaining transparency and makes the identification of unethical or inhumane practices in our supply chain more challenging.

Those that profit from such practices go to great lengths to ensure that their criminal activities remain hidden and, consequently, it can be extremely difficult to identify such activities. This means that no business, including our own, can have absolute certainty that such activities do not exist within its business or supply chain. Despite such challenges, our position is clear: our people are the key to our continued success and we will not tolerate unethical behaviour in our own operations or within our supply chains.

This year, we have extended our membership of The Supplier Ethical Data Exchange (SEDEX), a not for profit organisation dedicated to driving improvements in responsible and ethical business practices across global supply chains. It enables sharing of ethical supply chain data which allows members to access information about their suppliers in four key areas – health and safety, labour standards, the environment and business ethics.

We recognise that certain categories of procured products and services potentially carry a higher risk of child or slave labour being used in the supply chain. This is why we use the SEDEX data in addition to conducting independent audits, to verify labour standards and identify any poor practices within our supply base. Any supplier breaches that are uncovered via audit or any other means will be fully investigated and, where possible, remedied. Repeat breaches or those that cannot be remedied will result in the immediate termination of the relevant supplier relationship.

To help us improve visibility of any potential wrongdoing, we operate a free, independent and confidential helpline called Speak Up. This enables colleagues and suppliers to raise in confidence any concerns about slavery and human trafficking, any wrongdoing or other breaches of our Code of Business Conduct. Performance data and trends from Speak Up, as well as other compliance data, are reviewed as part of our Committee meetings and those of the Audit Committee and remedial actions taken as appropriate.

The Committee is comforted, but not complacent, that there have been no reports made to the helpline regarding slavery and human trafficking in the past 12 months.

As signatories to the UN Guiding Principles on Business and Human Rights, one of the ways in which we have sought to build on the awareness of our colleagues is to introduce an elearning programme for our strategic procurement teams, highlighting the potential risks of human slavery and trafficking within supply chains. To date, we have trained 200 colleagues from our strategic procurement teams who account for 70% of the Group's annual global procurement spend. We will continue with this programme throughout 2018 and we are committed to extending our elearning programme to our top 20 countries, which account for the majority of our global procurement spend each year, by 2020.

CORPORATE RESPONSIBILITY COMMITTEE REPORT CONTINUED

In October 2017, we published our second Modern Slavery Act statement (MSA statement). This year, our MSA statement sets out the steps that we are taking to reduce the risk of slavery and human trafficking in our business and supply chain. The Committee recognises that this is an ongoing process and has selected five key performance indicators with the aim of demonstrating our year on year progress in this area. Our current MSA statement can be found at [www.compass-group.com](http://www.compass-group.com).

**THE YEAR AHEAD**

I would like to take this opportunity to thank all of my Compass colleagues for their continued commitment and enthusiasm and I look forward to reporting on our progress next year. It's important that we continue to listen to the views of our stakeholders and use their insights to help shape our strategy and build on our achievements to date.



**Nelson Silva**

Chairman of the Corporate Responsibility Committee

21 November 2017

**THE CR COMMITTEE COMPOSITION**

The CR Committee comprises Nelson Silva, Chairman, Paul Walsh, Richard Cousins, Johnny Thomson, Robin Mills (Group HR Director), Mark White (Group General Counsel and Company Secretary), and all of the non-executive directors in office at the date of this Report.

The CR Committee meets at least twice a year. The Committee met twice during the year and members' attendance is set out in the table below.

**MEETINGS ATTENDANCE**

NAME	ATTENDANCE <sup>1</sup>
Nelson Silva	2 of 2
Carol Arrowsmith	2 of 2
John Bason	2 of 2
Stefan Bomhard	2 of 2
Richard Cousins	2 of 2
Robin Mills	2 of 2
Susan Murray <sup>2</sup>	1 of 1
Don Robert	2 of 2
Johnny Thomson	2 of 2
Ireena Vittal	2 of 2
Paul Walsh	2 of 2
Mark White	2 of 2

1. The number of meetings attended out of the number of meetings which each director/member was eligible to attend.
2. Stepped down from the Board and its committees at the conclusion of the Company's AGM on 2 February 2017.

**OBJECTIVES**

The objective of the CR Committee is to assist the Board and the Company in fulfilling its corporate responsibility in line with the Company's strategy, policies, processes and standards.

**RESPONSIBILITIES**

The Committee's primary responsibilities include health, safety and environmental practices, ethical business conduct, the promotion of employee engagement and diversity as well as community investment.

The Committee has a rolling agenda and receives reports from the Director of Health, Safety and Environment and other senior managers to ensure that progress is being made towards meeting the Group's specific corporate responsibility KPIs and in our ongoing corporate responsibility commitments.

We are dedicated to maintaining the highest standards of corporate governance and throughout the Annual Report there are examples of how we are endeavouring to achieve our strategic goals whilst underpinning our core values.



## Maintaining continuity and building diversity of skills and experience

Richard Cousins will retire from the Board on 31 March 2018 after nearly 12 years as Group Chief Executive.

I am delighted that Richard will be succeeded by Dominic Blakemore, our former Chief Operating Officer, Europe.

Dominic became Deputy Group Chief Executive Officer on 1 October 2017, and will take over as Group Chief Executive Officer on 1 April 2018. In the ensuing period, he and Richard will work closely to ensure a smooth transition.

Dominic's appointment was the result of a rigorous succession process. He is exceptionally well qualified to lead the business, and has already contributed significantly to the Group, for four years as Group Finance Director and, for the past two years, managing our business in Europe. Dominic has the leadership skills combined with the industry and operational experience to lead Compass to continued future success. He also benefits from the support of a very strong senior management team and together they will continue to build on the Group's strong track record under Richard's tenure.

The Board looks forward to working with Dominic in his new role.

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the financial year ended 30 September 2017.

Last year, I shared my thoughts with you on the resilience of the Board and its committees to respond and adapt to the changing needs of the business. Whilst succession planning is a matter for the whole Board, the Nomination Committee has an important role to play in ensuring that there is an appropriate balance of diversity, skills and experience so that the Board makes an effective contribution to the success of the Company.

### CEO SUCCESSION

Succession planning at Board level has, and continues to be, a key area of focus for Committee discussions and activities.

On 21 September 2017, we announced a significant change in the Group's Board. Richard Cousins, who has been an outstanding Chief Executive for the past 11 years, will step down from his role on 31 March 2018 and retire from the Group on 30 September 2018. It has been a huge pleasure to work with Richard and, on behalf of the Board, I want to thank him for his extraordinary contribution to the Group. Richard has transformed Compass into a sustainable, industry-leading organisation that delivers excellent food services to our customers, attracts and develops great people and generates significant returns for shareholders.

The Board employs the services of executive search firms as part of the external search process to identify potential Board and senior management candidates. In preparation for the Group Chief Executive succession, the Committee considered the credentials of a number of providers before recommending the appointment of the international recruitment firm considered best placed to meet the brief. The recruitment firm chosen, Korn Ferry, was considered to be independent of, and had no other links with, the Company or its directors in connection with the brief.

The candidate assessment process included the development of a success profile, an assessment of senior Compass executives and a parallel mapping of external candidates. The Committee and I managed the assessment process.

The initial key element of the process was to build consensus and clarity on the major challenges and opportunities to face the next Group Chief Executive and to translate this into a profile of the ideal candidate. Internal potential successors were assessed against this profile which was also used as a yardstick against which to measure and compare possible external nominees. The profile covered four important elements of leadership: past experience, leadership competences, personality traits and individual motivations and drivers.

Each of the non-executive directors, including myself, as well as Mr Cousins, completed a survey in which we selected key past experiences and leadership competencies that we all felt were important to see in the next Group Chief Executive. Interviews were also conducted with each of the contributors to gain their views on the future challenges and opportunities facing the next Group Chief Executive and, in light of that, to review their selection of experiences and competences. Directors were also asked to provide their views as to the nature of the role and culture of the Group.

### NOMINATION COMMITTEE REPORT CONTINUED

A detailed success profile was then developed which was discussed and agreed by the Committee.

Senior executives identified by the Board as possible successors were individually assessed. The assessment comprised the following elements:

- a benchmark interview of past experiences and career conducted by two executive search experts
- a behavioural interview of leadership competences conducted by an advisory/coaching expert
- completion of multiple online personality, aptitude and preference assessments
- an assessment of leadership potential
- 360 degree feedback
- a two day simulation exercise using a detailed case study

In parallel with the assessment of the internal candidates, a detailed global scan was conducted to identify possible external nominees. Over 500 possible companies that met scale and sector criteria were identified and from that an initial set of over 100 possible nominees was created. This was refined down to a target group of 35 which was further reduced to a shortlist of 10 external potential nominees.

After detailed discussions and careful debate, the Committee concluded, having taken all of the feedback into consideration, that none of the external potential nominees was sufficiently stronger than the internal senior executives.

When Mr Cousins notified me of his intention to retire from the Company, the Committee was, therefore, in a position to be able to make a recommendation to the Board for his succession. The recommendation, which the Board approved, was that Dominic Blakemore should be appointed as Deputy Group Chief Executive from 1 October 2017 and that he should succeed Mr Cousins from 1 April 2018 to enable a smooth transition.

#### OTHER CHANGES TO THE BOARD

In the run up to the Company's 2017 AGM, votes were lodged by shareholders against Mrs Vittal's reappointment as a director based on concerns that she held too many other directorships such that she could not devote sufficient time to her duties at Compass. The Company sought through positive dialogue to engage and address shareholder concerns, but, unfortunately, Mrs Vittal received only 63.45% of the votes cast in favour of her re-election.

On 3 February 2017, the Company issued a statement confirming that Mrs Vittal would review her portfolio and seek to reduce her number of directorships, notwithstanding that Mrs Vittal's time commitment and contribution to Compass had not been adversely affected by her other roles.

Mrs Vittal has now concluded the review of her non-executive portfolio which she had agreed to undertake after the 2017 AGM. Mrs Vittal has stepped down from one of the private Indian companies of which she was a director and is in the process of relinquishing her directorships of two further public Indian companies. These will become effective by 30 June 2018, by which time she will remain a director of five Indian companies. I very much welcome Mrs Vittal's proactive review of her portfolio which I trust will address shareholders' concerns about potential overboarding.

Accordingly, Mrs Vittal will seek re-election as a director of the Company at the 2018 AGM.

In May 2017, Stefan Bomhard completed his first full year as a non-executive director and, having completed her nine year tenure, Susan Murray stepped down from the Board at the conclusion of the Company's 2017 AGM. Mrs Murray was succeeded by Nelson Silva as Chairman of the Corporate Responsibility Committee. Mrs Murray's retirement from the Board means that we are currently falling short of the voluntary target set by Lord Davies to have 33% female representation on the Board by 2020, but this will be taken into consideration (as will the voluntary target set by Sir John Parker on diversity) by the Committee when next recruiting a director.

However, our primary consideration is to have the right blend of skills, knowledge, experience and independence and for that reason, recommendations for any future appointments will continue to be made on merit.

#### ACTIVITY DURING THE YEAR

The markets in which the Company operates are intrinsically dynamic. The Board and its committees must therefore adapt and evolve to ensure that they have the optimum composition to make the most effective contribution to help the Company achieve its strategic goals.

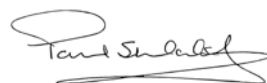
During the year, the Committee (together with the Board itself) continued to focus on succession planning for both executive and non-executive directors. In doing so, it considered the tenure, mix and diversity of skills and experience of existing Board members and those required of prospective Board members in the context of the Group's medium and long term strategy.

#### THE YEAR AHEAD

Compass has a strong Board of Directors with a broad range of experience which has driven the Company's success.

The Committee and the Board believe that our directors are well qualified to further advance the interests of the Company's shareholders, as well as its employees, customers, partners and communities and that Dominic Blakemore, as Richard Cousins' successor, has the leadership skills, combined with the industry and operational experience, to build on the Group's strong track record.

In the year ahead we will continue to keep succession planning under review to ensure that we can retain and attract the best talent to support our corporate strategy to deliver sustainable organic growth.



**Paul Walsh**

Chairman of the Nomination Committee

21 November 2017

## THE NOMINATION COMMITTEE

### COMPOSITION

The Nomination Committee comprises Paul Walsh, Chairman, Richard Cousins, Group Chief Executive and all of the non-executive directors in office at the date of this Report.

The Nomination Committee meets on an as needed basis. The Committee met twice during the year and members' attendance is set out in the table below.

### MEETINGS ATTENDANCE

NAME	ATTENDANCE <sup>1</sup>
Paul Walsh	2 of 2
Carol Arrowsmith	2 of 2
John Bason	2 of 2
Stefan Bomhard	2 of 2
Richard Cousins	2 of 2
Susan Murray <sup>2</sup>	0 of 0
Don Robert	2 of 2
Nelson Silva	2 of 2
Ireena Vittal	2 of 2

1. The number of meetings attended out of the number of meetings which each director/member was eligible to attend.
2. Stepped down from the Board and its committees at the conclusion of the Company's AGM on 2 February 2017.

### OBJECTIVES

The Nomination Committee's key objective is to review and monitor the Board's composition and to ensure that the Board comprises individuals with the right blend of skills, knowledge and experience to maintain a high degree of effectiveness in discharging its responsibilities.

### RESPONSIBILITIES

The Nomination Committee reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board with regard to any changes considered necessary in the identification and nomination of new directors, the reappointment of existing directors and appointment of members to the Board's committees. It also assesses the roles of the existing directors in office to ensure that there continues to be a balanced board in terms of skills, knowledge, experience and diversity. The Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace and advises the Board on succession planning for executive director appointments, although the Board itself is responsible for succession generally.

The Nomination Committee has standing items that it considers regularly under its terms of reference; for example, the Committee reviews its own terms of reference annually, or as required, to reflect changes to the Code or as a result of changes in regulations or best practice.

### SUCCESSION PLANNING AND DIVERSITY

The Company adopts a formal, rigorous and transparent procedure for the appointment of new directors and senior executives with due regard to diversity and gender. Prior to making an appointment, the Nomination Committee will evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, will prepare a description of the role and capabilities required, with a view to ensuring that the best placed individual for the role is recommended to the Board for appointment. In identifying suitable candidates, the Nomination Committee normally:

- uses open advertising or the services of external advisors to facilitate the search
- considers candidates from different genders and a wide range of backgrounds
- considers candidates on merit and against objective criteria, ensuring that appointees have sufficient time to devote to the position, in light of other potentially significant commitments

The Board continues to believe that gender based or other types of targets are inappropriate and that the blend of skills, knowledge and experience is of paramount importance.



## DIRECTORS' REMUNERATION REPORT



# Reward to support corporate success

We believe that having a remuneration framework clearly linked to the KPIs by which we measure the delivery of our business strategy has supported Compass' sustained success. As we reviewed our proposed Policy we sought to retain that link whilst ensuring that any future policy reflects the evolving external landscape.

## ANNUAL STATEMENT

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for the financial year ended 30 September 2017 which is split into:

- (i) this Annual Statement, incorporating an 'at a glance' summary setting out the remuneration decisions made this year as well as highlighting key elements of our proposals for the new Directors' Remuneration Policy
- (ii) the Governance Summary
- (iii) the proposed Remuneration Policy
- (iv) the Annual Remuneration Report on the implementation of the current Policy in the year ended 30 September 2017 and proposed implementation for next year

This has been a busy and challenging year for the Committee. We began the year preparing for our three year policy review, recognising there has been significant change in the market and best practice has been evolving. We conducted our review and consulted widely, we have managed 'business as usual' and then in the latter part of the year, we considered the terms for the retirement of our long-serving Group Chief Executive Officer (Group CEO) Richard Cousins and the succession of Dominic Blakemore as Group CEO on 1 April 2018. I wish to thank my Committee colleagues for their full support over the year.

### REMUNERATION POLICY REVIEW

We began the policy review by examining our remuneration framework to ensure that it remains appropriate for our current business model, and that it supports our future ambitions by rewarding management to deliver our strategy of sustainable growth and returns. The Committee reviewed various emerging remuneration structures with the assistance of external advisors. After having discussions with management and seeking input from key shareholders at the very early stages of our review, the Committee concluded that the existing model (base salary, an annual cash bonus and a three year LTIP with a two year post vesting holding period linked to the KPIs by which we measure delivery of the business) is well understood by the business, supports our culture and is fundamental to maintaining the superior returns to shareholders which Compass has delivered over time.

Consequently, we focused on:

- incentive measures (do they sufficiently support our strategy?)
- market effectiveness (does our remuneration enable us to pay appropriately for successful leadership?)
- emerging practice (does remuneration align to shareholder expectations and take account of new trends?)
- resilience (is remuneration capable of supporting talented leaders and their future successors?)

## STRATEGIC ALIGNMENT OF INCENTIVES

We estimate that approximately 75% of the £200 billion<sup>1</sup> global food services market is currently serviced by regional or in-house providers and there is a significant structural growth opportunity. Compass generates sustainable organic growth by winning new contracts, retaining existing business and generating like for like revenue growth. We are highly focused on our operating margin and the delivery of efficiencies to ensure profitable growth. Looking ahead, we recognise that growth is central to our strategy. Our Return on Capital Employed (ROCE) is, however, at a high level and so we believe that to place too much emphasis on further improving this rate of return on our capital risks having the unintended result of discouraging investments in profitable opportunities at attractive margins if it is dilutive to Group ROCE in the short term. We do not believe this to be in the interests of shareholders.

### Our proposal

Our current long term arrangement incentivises growth in the rate of ROCE, cumulative Adjusted Free Cash Flow (AFCF) and relative total return to shareholders (TSR). We propose to refine the measure based on growth in ROCE to one based on ROCE targets taking into account our strategy on the use of capital, and to place greater emphasis on both ROCE and AFCF. We are therefore proposing to rebalance our measures to 40% ROCE, 40% cumulative AFCF and 20% relative TSR (previously each measure was equivalent to one third).

## THE REMUNERATION FRAMEWORK

**Market effectiveness and emerging practice:** We have operated a remuneration policy which positioned total remuneration towards the lower end of our peer group (based on the FTSE 50 excluding the financial service sector). We wish to retain this philosophy and recognise the need to guard against the inflationary effect of using market data. The Committee believes it has a duty to investors to ensure that remuneration arrangements for senior executives are sufficiently attractive to retain the talented individuals that run the business. As part of our review, we noted specifically that when we looked at total remuneration the overall value was below market. However, when we examined individual elements the picture was more varied. Salaries were positioned to reflect tenure and experience; pension at 35% of salary was more generous than typically paid to both Compass UK management and in the external market to new executive appointees; the annual bonus opportunity was appropriately positioned but the LTIP opportunity was materially behind the market. We noted that our share ownership guidelines for executive directors (below Group CEO) at 150% base salary were below the level now expected by shareholders.

**Resilience:** Compass' success can be attributed to a strong leadership team with most of the Executive Board having held senior leadership roles for many years. We have a proven track record in successful succession planning, having maintained a focus on developing talent internally and carefully managing our talent pipeline. To ensure that we can appoint and retain talented executives, we identified the elements of remuneration which we wished to change to provide a rebalanced overall remuneration package, offering a lower proportion of fixed pay and more emphasis on long term, performance based incentives.

This results in an overall package with a larger proportion of remuneration at risk and improved alignment to the shareholder experience.

### Our proposal

When developing the Policy and consulting shareholders, our intent was to change to our proposed framework (as set out below and in the following pages) after any change in leadership. Given Dominic Blakemore's transition to Group CEO on 1 April 2018, our Policy, if approved by shareholders, will be implemented for executive directors from that date.

**Salary:** We remain committed to an approach to salary which reflects the experience and contribution of the individual. This means that salary levels for new appointments may be set below the market, and if so, they may subsequently receive increases which exceed those of the wider workforce for high performance and growth in experience over a phased period.

**Pension:** We will make an adjustment to the balance of the current package by reducing UK pension cash allowances (or contributions, if appropriate) from 35% of salary to 20% of salary in line with the level for Compass UK management. This reduction will apply to both new appointees and current executive directors. For new appointees (such as Mr Blakemore) following the approval of the Policy, this will commence with immediate effect and for incumbent executives, it will be on a phased basis starting in January 2019 over three years in increments of -5% per annum. To reflect US market pressures, we believe it is in shareholders' interests that Gary Green remains on a pension cash allowance of 35% of salary.

**Bonus deferral:** Our existing executive directors have significant levels of share ownership (already above 200% of salary) and are subject to a robust malus and clawback policy. For newer appointees we will support them to build up their shareholding by modifying the annual bonus plan to require the deferral of one third of the bonus award into Deferred Bonus Shares until the (newly increased) share ownership guideline is met. Deferred Bonus Shares would vest after a three year period and be subject to malus and clawback provisions.

**Long Term Incentive Plan awards:** We will increase our long term incentive awards from 250% of salary to 300% of salary for the Group CEO and for all other directors from 200% to 250% of salary. This level is substantially below wider market practice for companies of our size and complexity but we believe this approach is appropriate for Compass.

**Share ownership:** We increased the minimum guidelines for all executive directors to 200% of base salary with effect from September 2017. We will further increase our share ownership guidelines materially to a rate of ownership which is equal to the value of the long term incentive award i.e. 300% of salary for the Group CEO and 250% of salary for other executive directors. We will extend the period by which executive directors are expected to achieve this revised level from four years to five years and will measure achievement pro rata over the five year period.

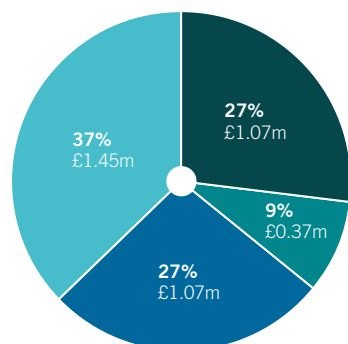
The charts overleaf demonstrate how our proposal seeks to rebalance overall remuneration for the Group CEO. The impact is an increase in on-target opportunity for the new Group CEO of less than 2% of target total pay.

1. Based on management estimates as noted on pages 6 and 7.

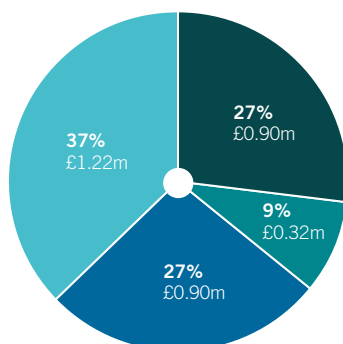
DIRECTORS' REMUNERATION REPORT CONTINUED

AN ILLUSTRATION OF THE FRAMEWORK PROPOSALS FOR THE GROUP CEO

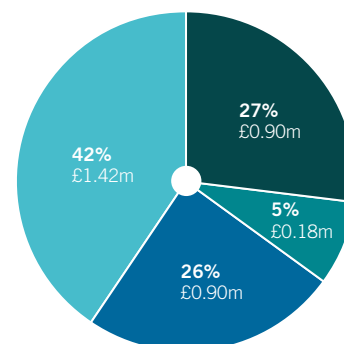
Current policy applied to Richard Cousins  
Target Total Pay<sup>1</sup> £3.96m



Current policy applied to Dominic Blakemore  
Target Total Pay<sup>1</sup> £3.34m



Proposed policy applied to Dominic Blakemore  
Target Total Pay<sup>1</sup> £3.40m



● Base salary ● Pension ● Annual target bonus ● Expected LTIP

1. The illustration excludes benefits in kind as these may vary based on individual circumstances.

The proposed Policy will mean:

- overall increase in Target Total Pay of less than 2% by moving Mr Blakemore from the current to the proposed Policy
- overall decrease in Target Total Pay of more than 14% for Mr Blakemore under the proposed Policy compared to Mr Cousins under the current Policy
- reduction in the proportion of pay which is received in year with a greater proportion received after five years (three years performance period plus two years post vest holding)
- reduction in pension provision from 35% to 20% of base salary
- increase to the LTIP opportunity of 26.25% of base salary at target and 50% of base salary at maximum
- increase in share ownership guidelines from 200% to 300% of salary for the Group CEO
- maintenance of pay positioning at the lower end of the market (FTSE 50 excluding the financial service sector)

SHAREHOLDER ENGAGEMENT

In May 2017, we started our review process by inviting key investors to share their views on the existing remuneration arrangements at Compass as part of an initial assessment process.

We reflected on their insight and then returned to them and a wider group of major shareholders and their representative bodies in July and August. We consulted extensively on a proposed draft Policy.

Shareholders generally welcomed the rebalanced package which would decrease fixed pay by reducing pension cash allowances or contributions and increase the value that could be earned in the form of shares through the LTIP opportunity. They also supported proposed increases to the share ownership guidelines.

We discussed in detail ways of ensuring that profitable growth is effectively incorporated in our incentives. We considered alternative methods such as the inclusion of EPS when combined with a floor (underpin) based on ROCE and some shareholders also suggested

alternatives such as the introduction of an economic profit measure or the replacement of the LTIP with a restricted share plan. We considered the various alternatives and all the feedback from our major shareholders, some of which was inconsistent, but, ultimately, we concluded that the broad measures we use today (ROCE, AFCF and TSR) were appropriate for our strategy as these are measures by which we currently manage the business, and they have been key to supporting our success.

We welcomed the open dialogue and constructive feedback provided. We returned to our major shareholders in October to explain how we had taken full account of it in our final proposals. This included for example, the introduction of a deferred element to the annual bonus plan as detailed in the 'at a glance' summary on page 73 and in the Policy.

We have been pleased with the high levels of engagement from our major shareholders and the new Policy has been shaped by their views.

## DIRECTOR CHANGES

Details of the remuneration terms for Mr Blakemore, our incoming Group CEO, are set out on page 81 and these are completely aligned to our proposed Policy as described above. Mr Blakemore's current annual salary as Deputy CEO of £750,000 will be increased to a starting annual salary of £900,000 as Group CEO with effect from 1 April 2018, which is well below that of our outgoing Group CEO Richard Cousins and that of a fully experienced Group CEO leading a company of the scale and complexity of Compass. As a result, higher than average increases may apply in future to Mr Blakemore's salary. Upon becoming Group CEO under the new Policy, Mr Blakemore would see an immediate reduction to his pension cash allowance from his current 35% to 20% per annum (which would not be subject to phasing), will have a bonus opportunity of 200% and an LTIP opportunity of 300% of base salary.

The details of remuneration for Richard Cousins were disclosed on 21 September 2017 and are also set out on page 92 and these are also in line with our existing Policy.

## REWARDING PERFORMANCE IN 2016-2017

Compass has delivered another year of excellent performance with organic revenue growth of 4% with strong net new business in North America and a challenging but improving environment in Europe and Rest of World. Our ongoing commitment to generating efficiencies continues to be supported by our Management and Performance (MAP) framework. We are using these efficiencies to invest in exciting opportunities for growth around the Group. For the annual bonus, we measure Group, and where relevant, regional performance. This led to a range of bonus outcomes as set out in the Annual Remuneration Report.

For the Long Term Incentive Plan, the TSR element was earned in full because Compass ranked 13<sup>th</sup> against other FTSE 100 companies (excluding financial service sector) over the performance period. The targets we set based on growth in ROCE and cumulative ACF were demanding and were satisfied with 23.5% and 100% vesting respectively. The Committee considers this outcome to be a fair and balanced result.

Salary adjustments for executive directors are aligned with increases paid for other senior executives within the Group and specifically to employees within their region. For Gary Green a salary increase of 4% is awarded with effect from January 2018. As previously indicated, Johnny Thomson was appointed to the role of Group Finance Director below the market rate to reflect that this was his first PLC director role. After another year of strong performance, Mr Thomson has been awarded an increase of 6% and this is the final stage of a phased set of increases to reach a competitive pay level. No increase is proposed for Mr Cousins in his final year with Compass.

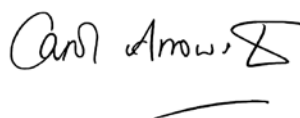
## CONCLUSION

The Committee believes that the new Policy proposed will ensure that Compass has a remuneration framework which is fit for the foreseeable future. Having engaged extensively with shareholders over the course of this review at critical points, we have taken a fully considered approach to devising these proposals. Our proposed Policy will ensure that executive directors' remuneration aligns with our strategic priorities of growing profitably in all of our businesses, thus supporting the delivery of continued superior returns.

Shareholders will have the opportunity to vote on both the Annual Remuneration Report for the year ended 30 September 2017 and this new Remuneration Policy at our AGM to be held on 8 February 2018. If the Policy is approved at the 2018 AGM, it is intended that it will remain in place until the 2021 AGM, when it will be again submitted to shareholders for approval.

The voting outcome at the 2017 AGM in respect of the Annual Remuneration Report for the year ended 30 September 2016 is set out on page 94.

We were pleased to receive good shareholder support at our 2017 AGM and I look forward to welcoming you and receiving your support once more.



**Carol Arrowsmith**

Chairman of the Remuneration Committee

21 November 2017

## DIRECTORS' REMUNERATION REPORT CONTINUED

# At a glance

## REMUNERATION IN 2016-2017

### MEASURING PERFORMANCE

MEASURING PERFORMANCE	STRATEGIC KPI	BONUS WEIGHTING <sup>1</sup>	LTIP WEIGHTING
Growing and retaining our customer base and driving volumes	Organic Revenue Growth (ORG)	25%	–
Delivering profit from our operations	Profit Before Interest & Tax (PBIT)	55%	–
Turning profit into cash	Adjusted Free Cash Flow (AFCF)	15%	33.3%
Delivery against investments	Return on Capital Employed (ROCE)	–	33.3%
Effectiveness of our Safety First culture	Lost Time Incident Frequency Rate (LTIFR)	2.5%	–
Providing safe food and of the right quality	Food Safety Incident Rate (FSIR)	2.5%	–
Delivering returns for shareholders	Total Shareholder Return (TSR)	–	33.3%

1. Based on Group performance measures.

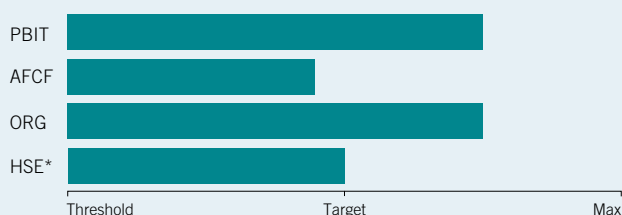
### REMUNERATION OUTCOMES

ELEMENT	DOMINIC BLAKEMORE	RICHARD COUSINS	GARY GREEN	JOHNNY THOMSON
Base Salary at 1 January 2017	£656,000	£1,070,000	US\$1,345,760	£621,000
Pension (% of base salary)	35%	35%	35%	35%
Benefits	£16,000	£42,000	US\$72,000	£21,000
Annual bonus (% of max)	14.70%	68.88%	98.72%	68.88%
LTIP (% of max)	74.5%	74.5%	74.5%	74.5%

### ANNUAL BONUS OUTCOME

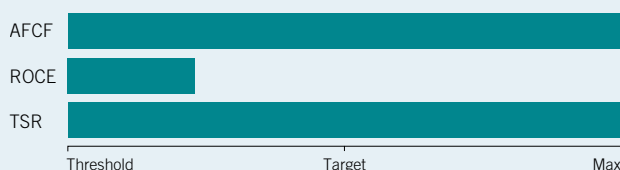
Maximum of 200% of base salary for the Group CEO and 150% for other executive directors which is paid in cash. The results below represent the Group's results. Dominic Blakemore and Gary Green have regional performance outcomes as shown on page 87.

#### Group results



### LTIP OUTCOME

Maximum of 250% of base salary for the Group CEO and 200% for other executive directors. The results below represent the Group's results and are applicable to all executive directors.



\* Health Safety and Environment (HSE) is the combined outcome of LTIFR and FSIR.

- Group payout at 68.88% of maximum
- regional payout of 14.70% to 98.72% of maximum bonus
- subject to malus and clawback

- performance measured over period 1 October 2014 to 30 September 2017
- payout of 74.5% of maximum
- two year holding period applies to vested shares
- subject to malus and clawback

### SHARE OWNERSHIP GUIDELINES

- with effect from 10 September 2017, the share ownership guidelines were increased for all executive directors to 200% of base salary. This is an increase above the current Policy guidelines for the Group CEO at 200% and 150% of base salary for other executive directors
- all executive directors have shareholdings that are significantly higher than these guidelines



## REMUNERATION POLICY PROPOSAL 2018-2021 IMPLEMENTING THE PROPOSAL

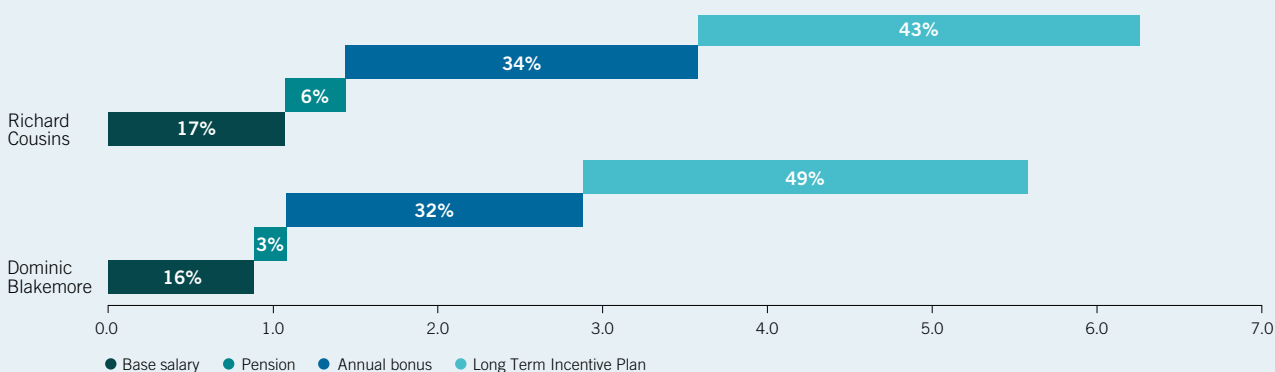
Our proposed Policy is designed to ensure remuneration arrangements are sufficiently attractive to retain the talented individuals who run the business and to rebalance remuneration to decrease fixed pay and increase the value that could be earned in the form of shares which has better alignment with shareholders' interests.

We believe that the best timing to change to our proposed rebalanced framework would be following Dominic Blakemore's transition to Group CEO on 1 April 2018. Our Policy, if approved by shareholders, will be implemented for all executive directors from that date.

The chart below shows how the current structure operates for our Group CEO Richard Cousins based on his existing base salary and compares to the proposed structure which would operate for the new Group CEO Dominic Blakemore. In the chart the proportion of each remuneration element is shown as a percentage of the total to highlight how the rebalanced remuneration would work in practice and is based on total reward at maximum.

### CURRENT AND PROPOSED REMUNERATION POLICY

Total maximum package value (£m)



1. The chart excludes benefits in kind as these may vary based on individual circumstances.

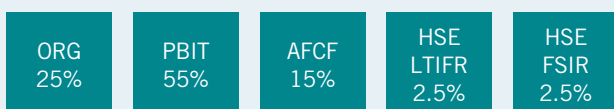
### STRATEGIC ALIGNMENT

In 2017-2018, there are no proposed changes to the annual bonus plan performance measures as they continue to support the strategy. As detailed in the Policy section on pages 76 to 79, we propose an adjustment to the LTIP performance measures and weightings to provide better alignment to the Group strategy.

#### ANNUAL BONUS

- maximum opportunity of 200% of salary for the Group CEO and 150% of salary for other executive directors remains unchanged
- introduce bonus deferral of one third of bonus into Deferred Bonus Shares for executives who have not achieved the pro rata share ownership guideline, with all other payouts in cash
- all cash bonus and Deferred Bonus Shares are subject to malus and clawback
- performance measures are unchanged

The illustration below is based on Group performance measures.



#### LTIP

- maximum opportunity increased to 300% of salary for the Group CEO and 250% of salary for other executive directors
- performance period of three years with a continuation of the further two year post vesting holding period
- all LTIP awards are subject to malus and clawback
- adjustment to the ROCE performance measure from growth in ROCE to setting a ROCE target taking account of our strategy on the use of capital
- change in the weighting of performance measures to increase the focus on responsible growth



Full disclosure of targets, and achievement against them, will be provided in next year's Annual Report and Accounts.

DIRECTORS' REMUNERATION REPORT CONTINUED

Governance Summary

THE REMUNERATION COMMITTEE

The Board sets the Company's Remuneration Policy and the Committee is responsible, within the authority delegated by the Board, for determining specific remuneration packages and the terms and conditions of employment for the members of the Executive Board, which comprises the executive directors and other senior executives. The Committee ensures that the members of the Executive Board are provided with the appropriate incentives to enhance the Group's performance and to reward them for their personal contribution to the success of the business. The Committee reviews the remuneration arrangements for Group employees whose salaries exceed a specified level and administers the Company's share incentive plans. The Committee has regard for the wider remuneration philosophy of the organisation when considering executives' packages. The Committee also determines the Chairman's remuneration, although the Board itself determines the level of fees paid to the non-executive directors. No directors are involved in determining their own remuneration. The Committee maintains an active dialogue with shareholder representatives and its full terms of reference are set out on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The Committee consists entirely of independent non-executive directors, as defined in the UK Corporate Governance Code.

COMMITTEE COMPOSITION

The Committee comprises Carol Arrowsmith, Chairman, and all the other non-executive directors in office at the date of this Report. The Remuneration Committee met six times during the year and directors' attendance can be found in the table below.

MEETINGS ATTENDANCE

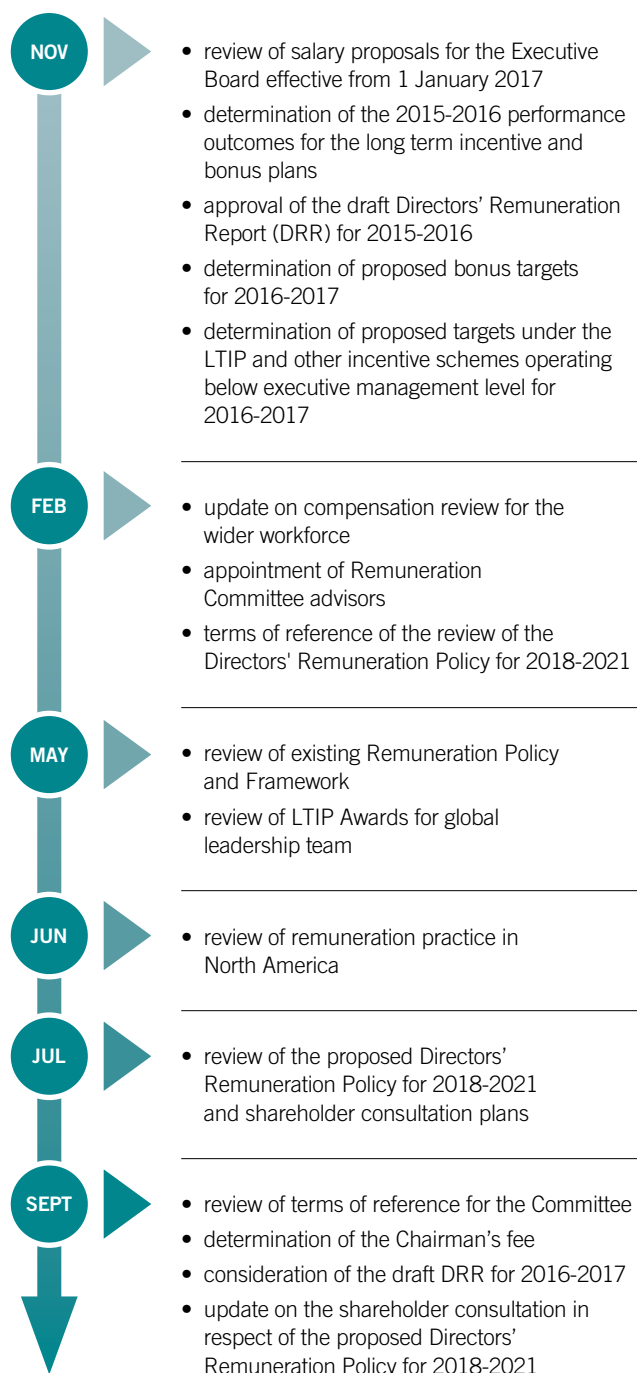
NAME	ATTENDANCE <sup>1</sup>
Carol Arrowsmith	6 of 6
John Bason	6 of 6
Stefan Bomhard	6 of 6
Susan Murray <sup>2</sup>	2 of 2
Don Robert	6 of 6
Nelson Silva	6 of 6
Ireena Vittal <sup>3</sup>	5 of 6

1. The number of meetings attended out of the number of meetings each director was eligible to attend.  
 2. Susan Murray stepped down from the Board and its committees at the conclusion of the Company's AGM on 2 February 2017.  
 3. An unscheduled meeting was called in June at short notice such that Mrs Vittal was unable to attend although Mrs Vittal was able to offer her input.

Biographical details of the current members of the Committee are set out on pages 48 and 49. Mark White, the Group General Counsel and Company Secretary acts as the Secretary to the Committee. Robin Mills, Group HR Director and Lorna Benton, Group Reward Director attend Committee meetings by invitation to advise the Committee on Group policies and practice. Details of advisors to the Committee can be found on page 94. The Chairman of the Remuneration Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

ACTIVITY DURING THE YEAR

The key activities of the Committee during the year ended 30 September 2017 are set out in the timeline below. In addition, the Committee also reviews performance under Group wide share plans and approves any discretionary matters for individuals below executive director level and considers other governance matters on a regular basis.



## STRUCTURE AND CONTENT OF THE DRR

As for last year, this Directors' Remuneration Report (DRR) has been prepared on behalf of the Board by the Committee in accordance with the requirements of the CA 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 Regulations). The policy on remuneration of directors (the Policy) is set out in pages 77 to 83. A separate resolution (Resolution 2) will be put to shareholders at the forthcoming AGM in accordance with the CA 2006 and the 2013 Regulations to approve the Policy. If approved, the Policy is expected to take effect from the date on which the Resolution is passed and remain in force for a minimum of three years.

The next two sections of the DRR cover the following matters:

- the Company's proposed remuneration policy from 8 February 2018 for the three years thereafter, including each of the components of directors' remuneration (the Policy Report) including:
  - how decisions on directors' remuneration will be made and the philosophy and strategy behind those decisions
  - the structure of remuneration packages for existing, departing and new directors
  - the impact of key performance measures on the potential value of remuneration
  - key contractual terms of existing and new directors
  - how the Company engaged with major shareholders during the development of the new Policy
- how the Policy approved by shareholders at the 2015 AGM was implemented in the year ended 30 September 2017 (the Annual Remuneration Report) and how the proposed Policy will be implemented in the next financial year

Auditable disclosures are the directors single total figure of remuneration (page 85), long term incentive awards (page 88), extant equity incentive awards held by executive directors (page 91), exit payments (page 92), non-executive directors' remuneration (page 93) and directors' interests (page 93).

The key changes to the content of this Policy, compared to the existing version which has been in place since it was approved by shareholders in February 2015, are set out in the table on page 76. The table summarises how the proposed Policy has been updated against each element of pay.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## Remuneration Policy Review

## SUMMARY OF CHANGES

The table below provides a summary of the key changes proposed to the Policy as detailed in the tables on pages 78 and 79 for ease of reference.

REMUNERATION COMPONENT	DESCRIPTION OF CHANGE
<b>BENEFITS AND PENSION</b> Proposed reduction to pension	<ul style="list-style-type: none"> <li>future or newly promoted executive directors will be provided with a pension cash allowance (or pension contribution as appropriate) of 20% of base salary</li> <li>for incumbent UK executive directors the pension cash allowance will phase down from 35% to 20% in line with the level for Compass UK management. The reduction will take place in increments of -5% per annum with effect from January 2019</li> <li>the existing Group COO, North America will retain a pension cash allowance of 35% of base salary to ensure competitiveness</li> </ul>
<b>ANNUAL BONUS</b> Proposed introduction of bonus deferral in specific circumstances	<ul style="list-style-type: none"> <li>bonus is typically paid in cash. However, where executive directors have not achieved the pro rata minimum of the revised share ownership guidelines, one third of the bonus will be deferred into shares which typically vest three years after grant (Deferred Bonus Shares)</li> <li>cash and Deferred Bonus Shares will be subject to malus and clawback</li> <li>a financial underpin may be operated</li> </ul>
<b>LONG TERM INCENTIVE PLAN</b> Proposed increase to maximum opportunity and reweighting of measures	<ul style="list-style-type: none"> <li>as part of a rebalanced package, the maximum share opportunity will be 300% of base salary for the Group CEO and 250% for other executive directors</li> <li>40% of the shares vest based on performance against ROCE, 40% of the shares vest based on performance against an AFCF range and 20% of the shares vest on the performance of relative TSR against a peer group. Performance is usually assessed over a three year performance period</li> </ul>
<b>SHARE OWNERSHIP GUIDELINES</b> Proposed increase for executive directors	<ul style="list-style-type: none"> <li>under the current Policy the Group CEO is required to hold a personal shareholding equal to 200% of base salary and other executive directors are required to hold 150% of base salary. Non-executive directors are required to hold a personal shareholding equal to the value of base fees</li> <li>as a result of the 2017 review, to bring the guidelines into line with prevailing best practice, the Committee determined that, with effect from 10 September 2017, all executive directors would be required to hold a personal shareholding equal to the value of 200% of base salary</li> <li>as part of a rebalanced overall remuneration package, with effect from 1 April 2018, the share ownership guidelines will be further increased to align to the new LTIP opportunity of 300% for the Group CEO and 250% for other executive directors. No changes are proposed to be made to the level of shareholding required for non-executive directors</li> <li>the required level of shareholding is expected to be achieved within a five year period, commencing from the date of appointment or date of change of LTIP opportunity, whichever is the later</li> </ul>

## Remuneration Policy

This Report sets out our new Remuneration Policy. We consulted shareholders extensively during 2017 when the Policy was being formulated for shareholders' approval. If this Policy is approved by shareholders, it will apply from 8 February 2018.

The previous remuneration policy for executive directors applied from the date of the 2015 AGM and will continue to apply until the 2018 AGM. For unvested share awards only, the provisions of the Remuneration Policy approved by shareholders in 2015 will continue to apply until all long term incentive awards granted under that Policy have vested or lapsed.

The Committee reviewed the Company's remuneration philosophy and structure to ensure that remuneration supports the Company's strategic objectives, is in line with best practice and can fairly reward individuals for the contribution that they make to the business. In doing this, we have regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

Our new Policy is designed to maintain stability in the executive team and to ensure appropriate positioning against our comparator groups. We believe our approach to be balanced and that it will stand the test of time.

The Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the Executive Board.

Remuneration links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The Policy is designed to incentivise executives to meet the Company's key objectives. A significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's key business drivers which can be measured, understood and accepted by both executives and shareholders.

The Committee considers that the targets set for the different components of performance related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges which the Group faces as well as complying with the provisions of the Code.

The Committee has the discretion to amend certain aspects of the Policy in exceptional circumstances when considered to be in the best interests of shareholders. Should such discretion be used, this will be explained and reported in the DRR for the following year.



## DIRECTORS' REMUNERATION REPORT CONTINUED

## Remuneration Policy continued

## COMPONENT PARTS OF THE REMUNERATION PACKAGE

The key components of executive directors' remuneration for the period from 8 February 2018 and beyond (the Policy Period) subject to shareholder approval are summarised below:

COMPONENT AND LINK TO STRATEGY	OPERATION OF COMPONENT	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>BASE SALARY</b></p> <p>Reflects the individual's role, experience and contribution. Set at levels to attract and retain individuals of the calibre required to lead the business.</p>	<p>Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.</p>	<p>Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce.</p> <p>Increases may be above this when an executive director progresses in the role; gains substantially in experience; there is a significant increase in the scale of the role; or was appointed on a salary below the market median. These will be appropriately explained in the relevant year's annual report.</p>	<p>None.</p>
<p><b>BENEFITS AND PENSION</b></p> <p>To provide a competitive level of benefits.</p>	<p>Benefits include, but are not limited to, healthcare insurance for executive directors and their dependants, limited financial advice, life assurance and car benefit.</p> <p>These are offered to executive directors as part of a competitive remuneration package.</p> <p>Executive directors are invited to participate in the Company's defined contribution pension scheme or to take a cash allowance in lieu of pension entitlement.</p>	<p>The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.</p> <p>For the Company's pension cash allowance (or pension contribution as appropriate), from 1 April 2018 the annual maximum will be 20% of base salary for new UK appointees and 35% phasing down to 20% of base salary for current UK based executive directors. The reduction will take place over a three year period commencing in January 2019. The annual maximum cash allowance for Gary Green remains at 35% of base salary.</p>	<p>None.</p>
<p><b>ANNUAL BONUS</b></p> <p>Incentivise and reward the achievement of stretching one year key performance targets set by the Committee at the start of each financial year.</p>	<p>The annual bonus is earned by the achievement of one year performance targets set by the Committee at the start of each financial year and is delivered in cash or a combination of cash and Deferred Bonus Shares.</p> <p>The Committee retains the discretion to adjust the bonus outcomes to ensure that they reflect underlying business performance.</p> <p>The annual bonus is subject to malus and/or clawback in the event of discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition or where the action or conduct of a participant amounts to fraud or serious misconduct or has a detrimental impact on the reputation of the Group.</p>	<p>The target award for the Group CEO is 100% of base salary, with a further maximum of 100% for enhanced performance. No bonus is payable for below threshold performance but increases on a straight line basis to target payout and from target to maximum.</p> <p>The target award for other executive directors is 75% of base salary, with a further maximum of 75% of base salary available for enhanced performance. No bonus is payable for below threshold performance but increases on a straight line basis to target payout and from target to maximum.</p>	<p>Performance is measured over the financial year. Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's business strategy and shareholder value.</p> <p>The performance measures and their percentage weightings may vary, depending upon a director's area of responsibility.</p> <p>Performance measures may include, but are not limited to, profit, revenue, margin and cash flow. Strategic KPIs may also be chosen. However, the overall metrics would always be substantially weighted to financial measures.</p> <p>Annual bonus targets are set with reference to internal budgets and analyst consensus forecasts, with maximum payout requiring performance well ahead of budget.</p> <p>A bonus underpin may be operated so that the bonus outcome is reduced if underpin performance is not met.</p> <p>Bonus will be deferred when share ownership guidelines have not been met usually with a minimum level of deferral of one third of the bonus earned and typically deferred for a period of three years.</p> <p>Dividend equivalents may be accrued on Deferred Bonus Shares.</p> <p>Details of the specific measures and targets applying to each element of the bonus for the year being reported on are shown in the Annual Remuneration Report on page 87.</p>

COMPONENT AND LINK TO STRATEGY	OPERATION OF COMPONENT	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>LONG TERM INCENTIVE PLAN (LTIP)</b></p> <p>Incentivise and reward executive directors for the delivery of longer term financial performance and shareholder value.</p> <p>Share-based to provide alignment with shareholder interests.</p> <p><b>Return on Capital Employed (ROCE)</b></p> <p>ROCE supports the strategic focus on growth and margin through ensuring that cash is reinvested to generate strong returns with capital discipline.</p> <p><b>Adjusted Free Cash Flow (AFCF)</b></p> <p>The generation of cash is fundamental to the ongoing success of the Group and the use of AFCF as an LTIP performance measure directly aligns to this.</p> <p><b>Relative Total Shareholder Return (TSR)</b></p> <p>The third performance measure of TSR provides direct alignment between the interests of executive directors and shareholders.</p>	<p>An annual conditional award of ordinary shares which may be earned after a single three year performance period, based on the achievement of stretching performance conditions. Executive directors normally hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years' post vesting.</p> <p>Calculations of the achievement of the targets are independently performed and are approved by the Committee. To ensure continued alignment between executive directors' and shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory.</p> <p>Dividend equivalents may be accrued on the shares earned from LTIP awards.</p> <p>Malus and clawback rules operate in respect of the LTIP. The Committee may decide at any time before an award vests, or for a period of three years after an award vests, that any participant will be subject to malus and/or clawback in the event of discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition, or where the action or conduct of a participant amounts to fraud or serious misconduct or has a detrimental impact on the reputation of the Group.</p> <p>Awards are delivered in shares. However, the rules contain excepted provisions to deliver value in cash if necessary (for example, due to securities laws), subject to the discretion of the Committee, determined at any time up to their release.</p> <p>In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time apportioned basis.</p>	<p>Awards may be made at the following levels of salary:</p> <ul style="list-style-type: none"> <li>• Group Chief Executive: 300%</li> <li>• Other executive directors: 250%</li> </ul> <p>In exceptional circumstances, such as the appointment of a new executive director, this could be increased to 400% of base salary. Any use of this exceptional limit would be appropriately explained.</p> <p>For performance measures, other than TSR, 0% of the award vests for below threshold performance, increasing to 50% vesting on a straight line basis for achievement of on target performance, increasing to maximum vesting on a straight line basis for achievement of maximum performance.</p> <p>The element of an award based on relative TSR will vest in full for top quartile performance achievement and 25% of that element of the award will vest if performance is at the median. Awards will vest on a straight line basis between median and top quartile performance achievement. No shares will be released for this element of an award if the Company's TSR performance is below the median.</p>	<p>Performance is measured over three financial years. Performance measures are AFCF, ROCE and TSR, with each applying 40%, 40% and 20% respectively.</p> <p>Relative TSR is measured relative to the companies comprising the TSR comparator group at the start of the period.</p> <p>LTIP targets are set with reference to internal budgets and analysts' consensus forecasts, with maximum payment requiring performance well ahead of budget.</p> <p>Details of the targets for LTIP awards vesting and granted are set out as required in the Annual Remuneration Report on pages 89 and 90.</p> <p>For awards made prior to 8 February 2018, the award was based on AFCF over the three year performance period, growth in ROCE and the Company's TSR over the performance period relative to the companies comprising the TSR comparator group at the start of the relevant period. Each measure being equivalent to one third of the total award.</p>

#### NOTES TO THE REMUNERATION POLICY TABLE

The rationale for the changes in the remuneration Policy table is detailed in the introduction from the Chairman of the Committee on pages 68 and 69 and in the remuneration Policy review section on page 76.

The Committee may make minor amendments to the Policy (for example for tax, exchange control, regulatory or administrative purposes) without obtaining shareholder approval.

The Directors' Remuneration Policy differs from that of other members of the Executive Board solely in respect of quantum of the various components and remuneration. Executive directors have a greater proportion of their total remuneration package at risk than other employees; however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration Policy continued

CLOSED INCENTIVE PLANS

It is proposed that the LTIP described in the table on page 79 (to be known as The Compass Group PLC Long Term Incentive Plan 2018) will, subject to shareholder approval, be the primary form of equity incentive for executive directors in future years. At the date of this Report, there are outstanding awards covering 1,625,718 shares which have been made to executive directors under the current long term incentive plan, being The Compass Group PLC Long Term Incentive Plan 2010.

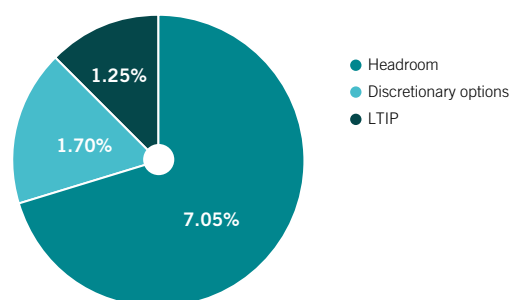
DILUTION LIMITS

All of the Company's equity based incentive plans incorporate the current Investment Association Share Capital Management Guidelines (IA Guidelines) on headroom which provide that overall dilution under all plans should not exceed 10% over a 10 year period in relation to the Company's issued share capital (or reissue of treasury shares), with a further limitation of 5% in any 10 year period for executive plans.

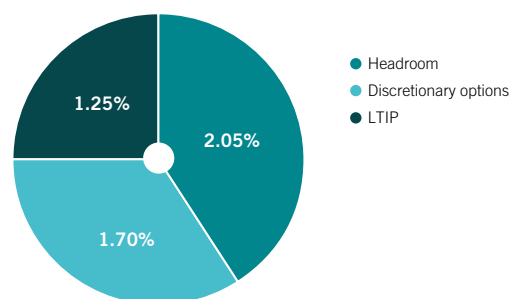
The Committee monitors the position regularly, and prior to the making of any award, to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. On 30 September 2017, the Company held 8,228,176 treasury shares. During the financial year ended 30 September 2017, 3,013,283 treasury shares were utilised for satisfying the Company's obligations under the Group's employee equity incentive schemes. As at 30 September 2017, the Company's headroom position, which remains within the current IA Guidelines, was as shown in the charts below:

HEADROOM AS AT 30 SEPTEMBER 2017

10% IN 10 YEARS



5% IN 10 YEARS



SHARE OWNERSHIP GUIDELINES

In order that their interests are linked with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company.

As a result of the Remuneration Policy review, and to bring the share ownership guidelines (the guidelines) into line with prevailing best practice, the Committee determined that, with effect from 10 September 2017, all executive directors will be required to hold a personal shareholding equal to the value of 200% of their annual base salary in shares. All of the executive directors in office at the date of this change met this requirement.

As part of a rebalanced overall remuneration package, and subject to shareholder approval of the new Policy, with effect from 1 April 2018, the requirement for the Group CEO will increase to a personal shareholding of 300% of base salary and 250% for all other executive directors. No changes are proposed to be made to the level of shareholding required for non-executive directors which remains as a personal shareholding equal to the value of their base fee.

The guideline shareholding may be achieved by executive directors retaining shares received as a result of participating in the Company's share plans. The guideline specifically excludes the need to make a personal investment should awards not vest. Non-executive directors are generally expected to purchase shares equating to a minimum value of one third of their net of tax fee each year until the guideline is met. The required level of executive shareholding is expected to be achieved within a five year period, commencing from the date of appointment or date of change of LTIP opportunity, whichever is the later.

Directors' shareholdings are reviewed annually by the Committee to ensure that directors are on course to achieve their guideline shareholding within the period required. However, if it becomes apparent to the Committee that the guideline is unlikely to be met within the timeframe, then the Committee will discuss with the director a plan to ensure that the guideline is met over an acceptable timeframe. The granting of future LTIP awards to an executive director will be conditional upon reaching the appropriate threshold in the required timeframe. Where executive directors have not achieved the minimum guideline effective for the period, one third of their cash bonus will be deferred into shares for three years.

Details of the interests of directors in shares and equity incentives are set out on page 93, together with the extent to which each of the directors has complied with the current guidelines as at 30 September 2017.

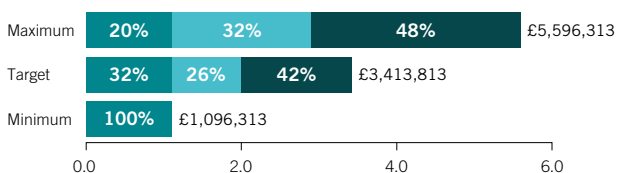
## ILLUSTRATIONS OF APPLICATION OF THE NEW REMUNERATION POLICY

The graphs below show an estimate of the remuneration that could be received by executive directors in office at 1 April 2018 under the Policy set out in this Report for 2017-2018. Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each director under the Policy. As the proposed Policy provides for a rebalanced overall remuneration package which would be implemented following a change in executive leadership, the graphs below illustrate the elements of the Policy which would be applicable following its approval at the 2018 AGM.

Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP.

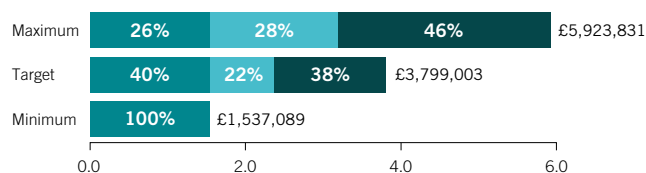
### DOMINIC BLAKEMORE

#### Illustration of package (£m)



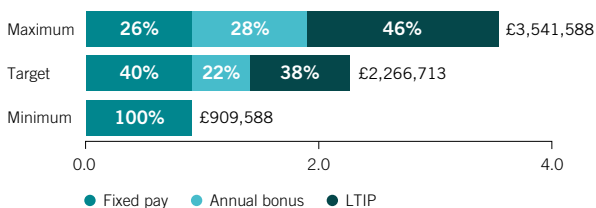
### GARY GREEN<sup>1</sup>

#### Illustration of package (£m)



### JOHNNY THOMSON

#### Illustration of package (£m)



The scenarios in the above graphs are defined as follows:

#### FIXED ELEMENTS OF REMUNERATION

- fixed pay includes annual base salary, pension and benefits
- annual base salary as at 1 April 2018
- value of benefits as noted in the single figure table on page 85
- pension cash allowance as at 1 April 2018 at the proposed Policy level

	MINIMUM PERFORMANCE	TARGET PERFORMANCE	MAXIMUM PERFORMANCE
<b>ANNUAL BONUS</b> (payout as a % maximum opportunity)	0%	50%	100%
<b>LONG TERM INCENTIVE PLAN</b> (vesting as a % maximum opportunity)	0%	52.5% <sup>2</sup>	100%

1. Note that Gary Green's elements of pay are converted into sterling with an exchange rate of US\$1.2762/£1 as used elsewhere in the Annual Report.
2. Based on ACF and ROCE performance measures vesting at 50% of maximum and the TSR measure paying out at 62.5% of maximum (midway between threshold and maximum payout).

No share price growth or dividend accrual has been incorporated in the values relating to LTIP.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## Remuneration Policy continued

## APPROACH TO RECRUITMENT REMUNERATION

The Committee will apply the same remuneration policy during the Policy Period as that which applies to existing executive directors when considering the recruitment of a new executive director in respect of most elements of remuneration, that is: base salary, pension and benefits, and short and long term incentives. New UK executive directors will, however, be provided with a pension cash allowance (or contribution) of 20% of base salary in line with the level of pension provided to Compass UK management. It is envisaged that the maximum level of variable remuneration which may be granted to a new executive director would be within plan rules and identical to the Policy maximum opportunity for existing executive directors and the Group CEO. However, in exceptional circumstances such as the recruitment of a new executive director, a maximum LTIP award of up to 400% of base salary may be awarded. Additionally, to support the successful building up of a shareholding in compliance with the revised share ownership guidelines, executives will also be required to have one third of their annual bonus deferred into shares when the share ownership guideline is not achieved. The required level of shareholding is expected to be achieved within a five year period, commencing from the date of appointment or date of change of LTIP opportunity, whichever is the later.

Other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. The policy for the recruitment of executive directors during the Policy Period includes the facility to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, and the additional provision of benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing, commercial value and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares. However, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the previous awards. Where an executive director is appointed from either within the Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

The policy on the recruitment of new non-executive directors during the Policy Period would be to apply the same remuneration elements as for the existing non-executive directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances.

The Committee will include in annual reports details of the implementation of the Policy as utilised during the Policy Period in respect of any such recruitment to the Board.

## EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

It is the Company's policy that executive directors have rolling service contracts.

The current executive directors' service contracts contain the key terms shown in the table below:

## SERVICE CONTRACT KEY TERMS BY PROVISION

PROVISION	DETAILED TERMS
<b>REMUNERATION</b>	<ul style="list-style-type: none"> <li>• base salary, pension and benefits</li> <li>• company car or cash allowance</li> <li>• family private health insurance</li> <li>• life assurance</li> <li>• financial planning advice</li> <li>• 25 days' paid annual leave</li> <li>• participation in the annual bonus plan, subject to plan rules</li> <li>• participation in the LTIP, subject to plan rules</li> </ul>
<b>CHANGE OF CONTROL</b>	<ul style="list-style-type: none"> <li>• no special contractual provisions apply in the event of a change of control</li> </ul>
<b>NOTICE PERIOD</b>	<ul style="list-style-type: none"> <li>• 12 months' notice from the Company</li> <li>• 6 months' notice from the director (12 months from Richard Cousins and Dominic Blakemore)</li> </ul>
<b>TERMINATION PAYMENT</b>	<p>Payment in lieu of notice equal to:</p> <ul style="list-style-type: none"> <li>• 12 months' base salary</li> <li>• pension supplement</li> <li>• 10% of base salary in respect of benefits</li> </ul> <p>All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments will either reduce, or cease completely, in the event that the director gains new employment/remuneration</p>
<b>RESTRICTIVE COVENANTS</b>	<ul style="list-style-type: none"> <li>• during employment and for 12 months after leaving</li> </ul>

The historic policy on the payment of bonus on termination, which was in place prior to June 2008, was the provision of a payment, at par or target, of bonus in respect of the notice period, where the Company exercised its right to make a payment in lieu of notice. Messrs Cousins and Green's service contracts are based on this historic policy. When introducing the revised policy in June 2008 and after careful consideration, the Committee concluded that it was not in shareholders' interests to migrate such contracts onto the amended policy. Dominic Blakemore and Johnny Thomson's service contracts fully comply with the policy in effect from June 2008. All executive directors' service contracts impose a clear obligation to mitigate such payment should a departing executive director take on new employment or receive alternative remuneration.

All of the executive directors' service contracts, with the exception of that of Johnny Thomson who was appointed to the Board on 1 December 2015, and Dominic Blakemore whose service contract was restated with effect from 1 October 2017, were entered into



before 27 June 2012 and have not been modified or renewed on or after that date. As such, remuneration payments or payments for loss of office that are required to be made under them are not required to be (but are) consistent with the current and proposed Policy. Johnny Thomson and Dominic Blakemore's service contracts fully comply with the current and, subject to its adoption, the proposed Policy.

Whilst unvested awards will normally lapse, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date and be satisfied or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise.

Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

Service contracts outline the components of remuneration paid to the individual but do not prescribe how remuneration levels may be adjusted from year to year.

The senior executives who are members of the Executive Board, and who are referred to in note 3 to the consolidated financial statements on page 125, have similar service contracts.

The executive directors in office at the date of this Report have served on the Board for the periods shown below and have service agreements dated as follows:

	DATE OF CONTRACT	LENGTH OF BOARD SERVICE AS AT 30 SEPT 2017
Dominic Blakemore	12 December 2011 7 November 2017*	5 years, 7 months
Richard Cousins	22 November 2007	11 years, 5 months
Gary Green	27 November 2007	10 years, 9 months
Johnny Thomson	23 September 2015	1 year, 9 months

\* Appointment was formally revised from 1 October 2017.

## CHAIRMAN

The fee for the Chairman is reviewed annually by the Committee with any increase taking effect on 1 October. In addition to his annual fee, the Chairman is paid a cash sum in lieu of provision by the Company of a car and chauffeur for use on Company business. The Chairman is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements. The Chairman's appointment is terminable without compensation on six months' notice from either side. Following consideration by the Committee, the Chairman's fee of £510,000 per annum was increased to £540,000 per annum from 1 October 2017. The £50,000 cash sum in lieu of the provision of a car and chauffeur was removed from such date and costs in relation to business and commuting will be reimbursed.

The Chairman has a letter of engagement dated 19 June 2013 in respect of his original appointment as a non-executive director for a period of three years from 1 January 2014. Mr Walsh became

Chairman at the conclusion of the Company's AGM on 6 February 2014. Mr Walsh completed his first three year term as Chairman on 6 February 2017. This was extended on 21 September 2016 for a further three year term.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees for the non-executive directors are reviewed and determined by the Board each year to reflect appropriate market conditions and may be increased if considered appropriate.

No increase was effected during the year under review. The fees for the year ended 30 September 2017 comprised a base fee of £84,000 per annum, which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees.

Subject to a cap on the maximum amount of fees payable to any non-executive director of £125,000 per annum, an additional fee of £27,000, £25,000 and £15,000 per annum is payable where a non-executive director acts as Chairman of the Audit, Remuneration or Corporate Responsibility Committee respectively. An additional fee of £27,000 per annum is also payable to the director nominated as Senior Independent Director (SID). Non-executive directors are not eligible for pension scheme membership, bonus, incentive arrangements or other benefits, save reimbursement of travel costs. Following a market review, with effect from 1 October 2017, the annual fees payable for chairing the Audit, Remuneration and Corporate Responsibility Committees were increased to £30,000, £30,000 and £20,000 per annum respectively and to £30,000 per annum for the director nominated as the SID.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable at three year intervals by mutual consent. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of non-executive directors' (in office at the date of this Report) appointments, which are terminable without compensation, are set out in the table below, together with the dates on which their appointments have been formally revised:

NON-EXECUTIVE DIRECTOR	ORIGINAL DATE OF APPOINTMENT	LETTER OF ENGAGEMENT	TOTAL LENGTH OF SERVICE AS AT 30 SEPT 2017
Carol Arrowsmith	1 Jun 2014	14 May 2014 8 Mar 2017*	3 years, 4 months
John Bason	21 Jun 2011	10 May 2011 8 May 2014* 8 Mar 2017*	6 years, 4 months
Stefan Bomhard	5 May 2016	5 May 2016	1 year, 4 months
Don Robert	8 May 2009	8 May 2009 9 May 2012* 10 Mar 2015*	8 years, 4 months
Nelson Silva	16 July 2015	16 July 2015	2 years, 2 months
Ireena Vittal	16 July 2015	16 July 2015	2 years, 2 months

\* Date on which appointment was formally revised.

## DIRECTORS' REMUNERATION REPORT CONTINUED

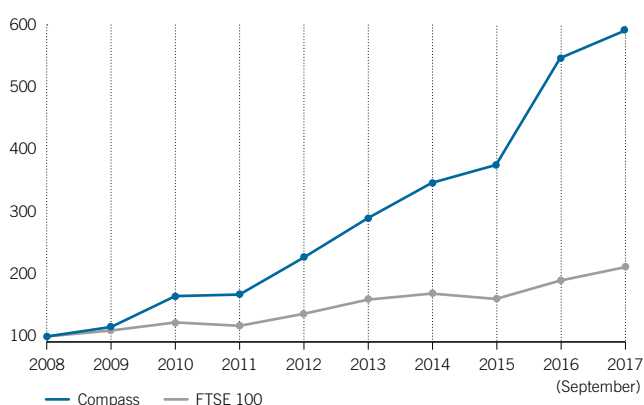
## Annual Remuneration Report

## REMUNERATION IN DETAIL FOR THE YEAR ENDED 30 SEPTEMBER 2017

## TOTAL SHAREHOLDER RETURN (TSR)

The performance graph below shows the Company's TSR performance against the performance of the FTSE 100 over the nine year period to 30 September 2017. The FTSE 100 Index has been chosen as a broad equity market index of which the Company has been a constituent member throughout the period.

## TOTAL RETURN INDICES – COMPASS VS FTSE 100



## PAY FOR PERFORMANCE

The Committee believes that the executive director remuneration policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Company. To maintain this relationship, the Committee regularly reviews the business priorities and the environment in which the Company operates. The table below shows Richard Cousins' total remuneration over the last nine years and his achieved annual variable and long term incentive pay awards as a percentage of the plan maxima.

	SINGLE FIGURE OF TOTAL REMUNERATION £000	ANNUAL VARIABLE ELEMENT: AWARD PAYOUT AGAINST MAXIMUM OPPORTUNITY %	LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY %
2017	5,617 <sup>1</sup>	68.9	74.5
2016	5,822 <sup>2</sup>	85.8	84.5
2015	5,325 <sup>3</sup>	88.7	79
2014	6,298 <sup>4</sup>	87.3	100
2013	5,532 <sup>5</sup>	84.5	98
2012	4,867 <sup>6</sup>	71.8	100
2011	4,410	75.0	100
2010	5,614	96.0	100
2009	5,268	85.0	100

- Includes LTIP indicative vesting amount of £2.665 million.
- LTIP indicative vesting amount of £2.590 million was disclosed in the 2016 Annual Report. Actual gain was £2.394 million.
- LTIP indicative vesting amount of £2.120 million was disclosed in the 2015 Annual Report. Actual gain was £2.174 million.
- LTIP indicative vesting amount of £3.643 million was disclosed in the 2014 Annual Report. Actual gain was £3.657 million.
- LTIP indicative vesting amount of £2.960 million was disclosed in the 2013 Annual Report. Actual gain was £2.928 million.
- LTIP indicative vesting amount of £2.451 million was disclosed in the 2012 Annual Report. Actual gain was £2.507 million.

## PERCENTAGE CHANGE IN REMUNERATION OF GROUP CHIEF EXECUTIVE OFFICER

In the year ended 30 September 2017, Mr Cousins received 2.6% salary more and 17.8% bonus less than the equivalent amounts for the year ended 30 September 2016. He received 7.7% more in taxable benefits in 2016-2017 than in the previous year. The percentage changes for all full-time equivalent employees based in the UK were nil, (2.3)% and 1.9% respectively. The UK employee workforce was chosen as the most suitable comparator group as Mr Cousins is based in the UK and pay changes across the Group vary widely depending on local market conditions. However, the nature of Mr Cousins' global role and responsibilities makes meaningful comparisons with any group of employees difficult and due caution should be exercised in this regard. We acknowledge a growing desire for companies to disclose pay ratios. We are committed to such a disclosure, albeit creating a meaningful disclosure with more than 550,000 employees in around 50 countries is complex.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the amounts paid in share buybacks, dividends and total employee costs for the years ended 30 September 2016 and 2017.

	2017 £M	2016 £M	CHANGE %
DISPERSALS			
Share buybacks <sup>1</sup>	19	100	(81)
Dividends paid <sup>2</sup>	531	496	7.1
Special dividend <sup>3</sup>	1,003	Nil	n/a
Total employee costs <sup>4</sup>	10,236	8,909	14.9

- From 1 October 2016 to 21 April 2017 the Company repurchased and subsequently cancelled 1,340,344 ordinary shares of 10% pence for a consideration of £19 million (including expenses). On 14 June 2017, a further 35 ordinary shares of 10% pence were repurchased in connection with the approximate £1 billion Shareholder Return (more details of which may be found on page 184) for a consideration of £582 (including expenses). Of these, 10 shares were held in treasury and the remaining 25 shares were cancelled. On 26 June 2017, in connection with the Shareholder Return, the Company's entire share capital was consolidated such that for every 26 existing 10% pence ordinary shares held, shareholders received 25 new ordinary shares of 11 $\frac{1}{2}$ % pence. As at the date of this Report there are 1,589,736,625 ordinary shares of 11 $\frac{1}{2}$ % pence in issue and 8,182,749 ordinary shares of 11 $\frac{1}{2}$ % pence held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.
- The total dividend paid during the year ended 30 September 2016 was £496 million and share capital in issue on that date was 1,654 million ordinary shares of 10% pence each. The total dividend paid during the year ended 30 September 2017 (excluding the Shareholder Return) was £531 million and the share capital in issue on that date was 1,589 million ordinary shares of 11 $\frac{1}{2}$ % pence. The full year dividend per ordinary share for the year ended 30 September 2017 increased by 5.7%.
- The Company returned approximately £1 billion to shareholders in July 2017 by way of a special dividend. This was accompanied by the Share Capital Consolidation referred to in note 1 above.
- Total employee costs includes wages and salaries, social security costs, share-based payments and pension costs for all employees, including directors. The average number of employees, including directors and part-time employees in operations during 2017 was 588,112 (2016: 527,180).

## DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the executive directors in office for the year ended 30 September 2017.

	DOMINIC BLAKEMORE		RICHARD COUSINS		GARY GREEN <sup>1</sup>		JOHNNY THOMSON <sup>2</sup>	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Fixed pay</b>								
Base salary <sup>3</sup>	652	633	1,064	1,037	1,043	900	610	479
Taxable benefits <sup>4</sup>	16	16	42	39	57	46	21	101
Pension <sup>5</sup>	228	222	372	363	366	315	213	168
Total fixed pay	896	871	1,478	1,439	1,466	1,261	844	748
<b>Performance related pay</b>								
Bonus	145	624	1,474	1,793	1,562	1,365	642	617
<b>LTIP<sup>6,7,8</sup></b>								
Value delivered through corporate performance	697	585	1,473	1,568	870	910	285	338
Value delivered through share price growth	564	381	1,192	1,022	704	594	231	221
Total long term incentives	1,261	966	2,665	2,590	1,574	1,504	516	559
<b>Total remuneration related to executive director appointment</b>	<b>2,302</b>	<b>2,461</b>	<b>5,617</b>	<b>5,822</b>	<b>4,602</b>	<b>4,130</b>	<b>2,002</b>	<b>1,924</b>
<b>Other performance related pay<sup>9</sup></b>								
(Awards granted prior to appointment as executive director – performance conditions relate to previous role)								
The Compass Group Deferred Annual Bonus Plan	–	–	–	–	–	–	147	577
<b>Single total figure of remuneration</b>	<b>2,302</b>	<b>2,461</b>	<b>5,617</b>	<b>5,822</b>	<b>4,602</b>	<b>4,130</b>	<b>2,149</b>	<b>2,501</b>

- Gary Green's base salary of US\$1,345,760 and his other emoluments are shown in sterling at an exchange rate of US\$1.2762/£1 (2016: US\$1.4218/£1). In US\$ terms Gary Green's base salary was paid at the annual rate of US\$1,294,000 from 1 January 2016 and US\$1,345,760 from 1 January 2017, being an increase of 4%.
- Johnny Thomson was appointed as a director of the Company with effect from 1 December 2015. The amounts disclosed for 2016 for fixed and performance related pay have been prorated to reflect this time in office during 2015-2016.
- Salary increases of 2.5%, 2.4%, 4% and 8% for Messrs Blakemore, Cousins, Green and Thomson respectively, were implemented on 1 January 2017 as disclosed in the 2016 Directors' Remuneration Report. The percentage increase in Mr Thomson's base salary reflected his progression and experience in the role.
- Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit. In the financial year 2015-2016, Mr Thomson also received a relocation allowance from Brazil to the UK of £50,000 grossed up, which is included in the table above.
- In accordance with the current Policy, a pension cash allowance of 35% of base salary was paid in monthly instalments in lieu of pension participation.
- Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 87 to 90.
- LTIP 2017: the amount shown is the indicative value based on the average market price of Compass Group PLC shares over the three month period from 1 July to 30 September 2017 (1,615 pence) of LTIPs that have become receivable as a result of the achievement of conditions relating to the performance in the three years ended 30 September 2017.
- LTIP award vested in 2016: the amount shown is the indicative value based on the average market price of Compass Group PLC shares over the three month period from 1 July to 30 September 2016. The actual value subsequently received by Messrs Blakemore, Cousins and Green based on a sales price of £13.530862 on 23 November 2016 was £892,482, £2,393,637 and £1,389,985 respectively. Mr Thomson disposed of 5,796 shares on the same day at a sales price of £13.530862 for which he received £78,425 to settle tax and social security obligations. Theoretically, if Mr Thomson had chosen to sell all of the resulting shares, he would have received the notional value of £516,351. Theoretically, if all of the directors had chosen to dispose of their LTIP awards which vested in 2016 in full, this would have equated to a combined total of £5,192,455 which is approximately £427,000 less than the indicative value reported.
- Mr Thomson had an interest in 10,622 shares that were awarded conditionally in connection with a 'below board' plan prior to his appointment as a director of the Company. These vested on 29 November 2016. Mr Thomson elected to keep these shares (net of those sold to settle resulting tax and social security obligations). Had Mr Thomson sold his shares, he would have received a notional gain of £146,584 which is based on the closing share price of 1,380.00 pence per share at the date prior to the release of his award.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## Annual Remuneration Report continued

The annual rate of base salaries of the executive directors in office for the year ended 30 September 2017 was:

DIRECTOR	BASE SALARY	EFFECTIVE DATE	INCREASE	REASON
Dominic Blakemore	£656,000	1 January 2017	2.5%	Relevant peer/market & performance
Richard Cousins	£1,070,000	1 January 2017	2.4%	Relevant peer/market & performance
Gary Green	\$1,345,760	1 January 2017	4%	Relevant peer/market & performance
Johnny Thomson <sup>1</sup>	£621,000	1 January 2017	8%	Progression in role, gain in experience

1. Johnny Thomson was appointed to the Board on 1 December 2015. Prior to the appointment being made, the Committee asked PricewaterhouseCoopers LLP to perform a benchmarking review of salaries for peer roles in FTSE 50 companies (excluding the financial service sector). In line with the Policy in operation at that time, the Committee adopted a balanced approach when determining the level of remuneration to be paid, having regard to the findings of the benchmarking report and bearing in mind that it was Mr Thomson's first role as a Group Finance Director of a listed company. His base salary on appointment was set at £575,000 per annum, below the median for comparable FTSE 50 roles, with the aim of making incremental increases if considered appropriate to reflect experience and progression in the role and to bring Mr Thomson's base salary in line with that of his FTSE peers.

The proposed annual rate of base salaries of the executive directors in office as at the effective dates set out below are:

DIRECTOR	BASE SALARY	EFFECTIVE DATE	INCREASE	REASON
Dominic Blakemore <sup>1</sup>	£750,000	1 October 2017	14.3%	Promotion to Deputy Group CEO
Richard Cousins	£1,070,000	1 January 2018	0%	Prospective retirement
Gary Green	\$1,399,590	1 January 2018	4%	Relevant peer/market & performance
Johnny Thomson <sup>2</sup>	£658,000	1 January 2018	6%	Progression in role, gain in experience

1. As announced on 21 September 2017, Mr Blakemore will receive a base salary increase to £900,000 per annum with effect from 1 April 2018 upon his promotion to Group CEO.
2. Johnny Thomson's base salary from 1 January 2018 reflects the final stage of an incremental approach to salary adjustments reflecting progression in the role and growth in his experience since last year. Please refer to note 1 in the table above.

Non-executive directors receive fees only, which are shown on page 93, together with the Chairman's fees and benefits. The aggregate total amount of remuneration received by all directors in office during the year ended 30 September 2017 is shown below:

	2017 £000	2016 £000
Executive directors	14,670	15,434
Chairman and non-executive directors	1,187	1,200
<b>Total</b>	<b>15,857</b>	16,634

## 2016-2017 BONUS

The financial targets for the bonus for the year ended 30 September 2017, and the extent to which they were achieved, were as set out on page 87. It is intended to continue to disclose Group and regional targets, as set out below, on a retrospective basis. The achievement of targets is calculated on a straight line basis between Minimum and Target (par) and between Target (par) and Maximum.

As was the case for previous years, the measurement of the achievement of the AFCF and PBIT results is based on the underlying outcome achieved in the financial year, with gains/losses attributable to currency movements, charges and the impacts of restructuring and/or acquisitions/disposals usually being excluded.

## 2016-2017 TARGETS

### RICHARD COUSINS AND JOHNNY THOMSON

FINANCIAL MEASURES <sup>1</sup>	% WEIGHTING	MINIMUM	PAR (TARGET)	MAXIMUM	ACHIEVED
PBIT <sup>2</sup>	55	£1,496.0m	£1,526.7m	£1,557.0m	£1,541.5m
AFCF <sup>3</sup>	15	£853.0m	£879.0m	£905.0m	£876.25m
ORG <sup>4</sup>	25	2.7%	3.7%	4.7%	4.2%
GROUP HSE IMPROVEMENT			TARGET	ACHIEVED	ACHIEVED
Lost Time Incident Frequency Rate <sup>10</sup>	2.5		4.25	3.67	Yes
Food Safety Incident Rate	2.5		0.31	0.31	Yes

### DOMINIC BLAKEMORE

FINANCIAL MEASURES <sup>1</sup>	% WEIGHTING	MINIMUM	PAR (TARGET)	MAXIMUM	ACHIEVED
PBIT <sup>2</sup>	5	£1,496.0m	£1,526.7m	£1,557.0m	£1,541.5m
RPBIT <sup>5</sup>	50	£411.8m	£415.9m	£420.1m	£404.8m
MAWC <sup>6,11</sup>	15	(£172.8m)	(£182.8m)	(£202.8m)	(£190.1m)
RORG <sup>7</sup>	25	1.4%	2.4%	3.4%	1.8%
EUROPE HSE IMPROVEMENT			TARGET	ACHIEVED	ACHIEVED
Regional Lost Time Incident Frequency Rate <sup>10</sup>	2.5		5.85	4.98	Yes
Regional Food Safety Incident Rate	2.5		0.35	0.39	No

### GARY GREEN

FINANCIAL MEASURES <sup>1</sup>	% WEIGHTING	MINIMUM	PAR (TARGET)	MAXIMUM	ACHIEVED
PBIT <sup>2</sup>	5	£1,496.0m	£1,526.7m	£1,557.0m	£1,541.5m
RPBIT growth <sup>5</sup>	55	6.7%	7.1%	7.6%	7.6%
MAWC <sup>6</sup>	15	\$(361.9)m	\$(381.9)m	\$(391.9)m	\$(450.9)m
RORG <sup>7</sup>	25	5.5%	6.0%	7.0%	7.1%

#### NORTH AMERICA HSE IMPROVEMENT

HSE for the North American business is measured through North American underlying PBIT.

## 2016-2017 OUTCOMES

MEASURE	DOMINIC BLAKEMORE <sup>8</sup>	RICHARD COUSINS <sup>8</sup>	GARY GREEN <sup>8</sup>	JOHNNY THOMSON <sup>8</sup>
	% OF PERFORMANCE TARGET ACHIEVED	% OF PERFORMANCE TARGET ACHIEVED	% OF PERFORMANCE TARGET ACHIEVED	% OF PERFORMANCE TARGET ACHIEVED
PBIT/RPBIT <sup>2,5</sup>	2.50/55 <sup>2,5</sup>	40.92/55 <sup>2</sup>	58.72/60 <sup>2,5</sup>	40.92/55 <sup>2</sup>
AFCF <sup>3</sup>	–	6.71/15	–	6.71/15
MAWC <sup>6</sup>	7.50/15 <sup>11</sup>	–	15.00/15	–
ORG/RORG <sup>4,7</sup>	4.70/25 <sup>7</sup>	18.75/25 <sup>4</sup>	25.00/25 <sup>7</sup>	18.75/25 <sup>4</sup>
HSE	0/5 <sup>10</sup>	2.50/5 <sup>10</sup>	– <sup>9</sup>	2.50/5 <sup>10</sup>
<b>Total</b>	<b>14.70/100</b>	<b>68.88/100</b>	<b>98.72/100</b>	<b>68.88/100</b>

#### Notes to tables

- Financial measures for 2016-2017 bonus purposes are all set at 2017 foreign exchange budget rates, not actuals.
- PBIT is underlying Profit Before Interest and Tax (Group).
- AFCF is Adjusted Free Cash Flow (Group).
- ORG is Organic Revenue Growth (Group).
- RPBIT is underlying Profit Before Interest and Tax for Region of responsibility.
- MAWC is 10 months/12 months Average Working Capital Balance for region of responsibility for Mr Green and Mr Blakemore respectively. The 2016-2017 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the period of 10 months.
- RORG is Organic Revenue Growth for Region of responsibility.
- Messrs Blakemore, Cousins, Green and Thomson's entitlements to any bonus related to the achievement of AFCF and PBIT were adjusted, in accordance with the established framework to exclude all unbudgeted M&A spend together with routine restructuring costs.
- HSE for the North American business is measured through North American underlying PBIT.
- Messrs Blakemore, Cousins and Thomson's entitlements to bonus related to the achievement of LTIFR related targets were reduced to zero to recognise that the Group had suffered two fatalities during the year in its Europe business which had occurred whilst each employee had been at work, albeit that management were not considered to be culpable. This recognises the seriousness with which the Company takes HSE outcomes.
- Mr Blakemore's bonus in respect of MAWC and Group PBIT was reduced to par, owing to the RPBIT measure not being achieved at minimum.



## DIRECTORS' REMUNERATION REPORT CONTINUED

## Annual Remuneration Report continued

## 2016-2017 BONUS PAYOUT

The outcome of the annual bonus for the year ended 30 September 2017 was due to the continued strong underlying financial performance aligned with the delivery of the Group's long term strategy. The table below shows the resulting payout to each executive director in office during the year in such capacity:

	2016-2017 BONUS PAYMENT AS AT 30 SEPT 2017 (AS % OF BASE SALARY)	VALUE OF BONUS
Dominic Blakemore	22.05%	£144,648
Richard Cousins	137.76%	£1,474,032
Gary Green	148.08%	US\$1,992,801
Johnny Thomson	103.32%	£641,617

No discretion was applied by the Committee in respect of the directors' bonuses for the year under review. The rules of the current annual bonus plan do not include any deferral of payment.

2017-2018 BONUS  
PERFORMANCE MEASURES

The annual bonus performance measures for executive directors for the year ending 30 September 2018 are unchanged. They are:

MEASURE	DOMINIC BLAKEMORE	RICHARD COUSINS	GARY GREEN	JOHNNY THOMSON
PBIT/RBIT	55% <sup>1</sup>	55% <sup>1</sup>	60% <sup>2</sup>	55% <sup>1</sup>
AFCF	15%	15%	–	15%
MAWC	–	–	15% <sup>3</sup>	–
ORG/RORG	25% <sup>5</sup>	25% <sup>5</sup>	25% <sup>4</sup>	25% <sup>5</sup>
HSE	5%	5%	– <sup>6</sup>	5%
<b>Total<sup>7</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- Underlying PBIT (Group).
- Underlying PBIT split between Group PBIT and PBIT for Region of responsibility for Mr Green: 5% Group/55% Regional.
- MAWC for Region of responsibility. The 2017-2018 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the period of 10 months.
- RORG for Region of responsibility.
- ORG (Group).
- HSE for the North American business is measured through North American underlying PBIT.
- Bonus payments may be reduced if the Remuneration Committee is not satisfied with the underlying financial performance of the Group.

The Committee has set the targets for the annual bonus plan for the year ending 30 September 2018 but has chosen not to disclose the details in this Report, as it is the opinion of the Committee that it may be seriously prejudicial to the interests of the Company to do so, and our major competitors do not disclose their targets or projected forecasts. However, the specific targets and the extent to which the targets have been met (both at Group and Regional levels) will be disclosed in next year's Report.

## LONG TERM INCENTIVE AWARDS

During the year ended 30 September 2017, executive directors received a conditional award of shares which may vest after a three year performance period which will end on 30 September 2019, based on the achievement of stretching performance conditions.

The maximum levels achievable under these awards are set out in the table below:

DIRECTOR	LTIP AWARD (AS A % OF BASE SALARY)	FACE VALUE OF AWARD <sup>1</sup> £000
Dominic Blakemore	200%	1,280
Richard Cousins	250%	2,612
Gary Green	200%	1,820
Johnny Thomson	200%	1,150
		<b>6,862</b>

- Face value of award as at the date of grant on 23 November 2016 is based on the closing market price of 1,326.00 pence per share on 22 November 2016.

Executive directors are required to hold vested awards for a period of two years following vesting so as to further strengthen the long term alignment of executives' remuneration packages with shareholders' interests and, if required, to facilitate the implementation of provisions related to malus and clawback.

The table below sets out the performance measures for the awards under the Policy in operation during the financial year under review:

DEFINITION OF MEASURE

**ROCE** The definition aims to measure the underlying economic performance of the Company. ROCE is calculated at the end of the three year performance period as net underlying operating profit after tax (NOPAT) divided by 12 month average capital employed (see page 195 for full definitions).

**Adjusted FCF** The definition aims to measure the cash generation of the Company and is calculated as the three year cumulative underlying FCF (see page 195 for full definition) adjusted for constant currency.

**TSR** Performance is compared to that of constituent members of the FTSE 100 (excluding the financial service sector). TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three year performance period).

In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions. The table below shows the targets against which performance has been measured to determine the vesting of the grant of awards for the year ended 30 September 2017 and forms part of the Policy detailed in the Policy Report on pages 62 to 68 of the 2016 Annual Report and Accounts.

**TARGETS FOR AWARDS VESTED IN THE YEAR ENDED 30 SEPTEMBER 2017**

**ROCE target**

LEVEL OF PERFORMANCE	THRESHOLD	MAXIMUM	ACHIEVED
Vesting % of each component	0%	100%	23.5%
As at date of Award	19.0%	20.4%	–
Reconciled at the end of the performance period <sup>1</sup>	20.22%	21.67%	20.56%

**AFCF target**

LEVEL OF PERFORMANCE	THRESHOLD	MAXIMUM	ACHIEVED
Vesting % of each component	0%	100%	100%
AFCF	£2,231m	£2,465m	£2,478m

**TSR target**

LEVEL OF PERFORMANCE	BELOW MEDIAN	MEDIAN	UPPER QUARTILE	ACHIEVED
Vesting % of each component	0%	25%	100%	100%

1. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend and constant currency.

**LONG TERM INCENTIVE PLAN PERFORMANCE**

23.5% of the ROCE, 100% of the AFCF and 100% of the TSR performance measures were achieved at the end of the three year performance period, such that 74.5% of the LTIP awards made during the 2014-2015 financial year vested. Shares will be delivered to individuals following the release of the preliminary results for the year ended 30 September 2017. The Committee applied the established framework to deal with items that were unforeseen at the time the targets were set in 2014-2015 and which were in the long term interests of shareholders. AFCF was adjusted to exclude a payroll timing distortion, a one-off supplementary contribution to the US pension plan and restructuring in the Defence, Offshore & Remote business. AFCF was also adjusted to reflect the reduction in pension deficit contributions to the UK pension scheme to ensure management did not benefit from this reduction. Both the ROCE and AFCF measures were adjusted to exclude a one-off capital investment in the Defence, Offshore & Remote business and restructuring in Europe to reflect trading conditions.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## Annual Remuneration Report continued

## 2014-2015 LTIP PERFORMANCE PERIOD ENDED 30 SEPTEMBER 2017 AND VESTED 21 NOVEMBER 2017

DIRECTOR	PERFORMANCE CONDITIONS			NUMBER OF SHARES AWARDED	NUMBER OF SHARES VESTED	VALUE OF SHARES ON VESTING <sup>2</sup> £000
	TSR % VESTED ON MATURITY <sup>1</sup>	ROCE % VESTED ON MATURITY	AFCF % VESTED ON MATURITY			
Dominic Blakemore	100%	23.5%	100%	104,802	78,077	1,261
Richard Cousins	100%	23.5%	100%	221,475	164,998	2,665
Gary Green	100%	23.5%	100%	130,785	97,434	1,574
Johnny Thomson <sup>3</sup>	100%	23.5%	100%	42,870	31,938	516

1. TSR ranking was 13<sup>th</sup> in its comparator group.
2. The value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July to 30 September 2017 of 1,615 pence per share.
3. Mr Thomson's award which vested on 21 November 2017 was awarded to him prior to his appointment to the Board and is therefore not subject to a two year post vest holding period.

The table below shows the targets against which performance will be measured to determine the vesting of the grant of awards to be made in the year ending 30 September 2018 and forms part of the Policy detailed in the Policy Report on pages 77 to 79 which is intended to be implemented by the Committee, subject to the passing of Resolution 2 at the Company's AGM on 8 February 2018.

## TARGETS FOR AWARDS FOR THE YEAR ENDING 30 SEPTEMBER 2018

## ROCE AND AFCF TARGETS

LEVEL OF PERFORMANCE	VESTING % OF EACH COMPONENT	ROCE	AFCF
Threshold	0%	18.78%	£3,095m
Par (target)	50%	19.30%	£3,258m
Maximum	100%	19.82%	£3,421m

## TSR TARGET

LEVEL OF PERFORMANCE	VESTING % OF EACH COMPONENT
Below Median	0%
Median	25%
Upper Quartile	100%

The vesting of the shares under each performance condition is independent. Therefore, the total vesting amount is based on the relevant percentage achievement for each performance measure. Awards vest on a straight line basis between Threshold and Par and between Par and Maximum. If performance under a component does not exceed the Threshold level, vesting for that component will be nil. At the end of the performance period, the Committee will review the underlying financial performance of the Company and retains its discretion to adjust vesting if it considers that financial performance is unsatisfactory.

The Committee considers the measures and targets set in respect of 2017-2018 to be appropriate and challenging. Calculations of the achievement of the targets will be independently performed and approved by the Committee. The Committee retains discretion to adjust for material events which occur during the performance period and the nature of any such adjustments will be disclosed in the Directors' Remuneration Report, together with details of the achieved ROCE, AFCF and TSR performance, as determined by the above definitions, at the end of the performance period.

The table below sets out the percentage of each LTIP award made to executive directors within the last four years which has vested:

YEAR OF AWARD	MATURITY DATE	PERFORMANCE CONDITIONS	ROCE % VESTED ON MATURITY	AFCF % VESTED ON MATURITY	TSR % VESTED ON MATURITY
2011-2012	1 Oct 2014	AFCF/TSR	n/a	100%	100%
2012-2013	1 Oct 2015	ROCE/AFCF/TSR	74%	78%	85%
2013-2014	1 Oct 2016	ROCE/AFCF/TSR	60.7%	92.7%	100%
2014-2015	1 Oct 2017	ROCE/AFCF/TSR	23.5%	100%	100%

## EXTANT EQUITY INCENTIVE AWARDS HELD BY EXECUTIVE DIRECTORS

Details of all existing equity incentive awards as at the date of this Report, including the awards conditionally made under the long term incentive plans to the executive directors at any time during the year ended 30 September 2017, are shown in the table below. None of the executive directors hold any extant award under any previously operated share option scheme:

### LTIP

DIRECTOR	AS AT 30 SEPT 2016: NUMBER OF SHARES	AWARDED DURING THE YEAR: NUMBER OF SHARES	RELEASED DURING THE YEAR: NUMBER OF SHARES	LAPSED DURING THE YEAR: NUMBER OF SHARES	AS AT 30 SEPT 2017: NUMBER OF SHARES	MARKET PRICE AT DATE OF AWARD: PENCE	DATE OF AWARD	MATURITY DATE
Dominic Blakemore	78,090	–	65,959	12,131	–	921.00	29 Nov 2013	1 Oct 2016
	104,802	–	–	–	<b>104,802</b>	1145.00	6 Feb 2015	1 Oct 2017
	118,518	–	–	–	<b>118,518</b>	1080.00	25 Nov 2015	1 Oct 2018
	–	96,528	–	–	<b>96,528</b>	1326.00	23 Nov 2016	1 Oct 2019
<b>Total</b>	<b>301,410</b>	<b>96,528</b>	<b>65,959</b>	<b>12,131</b>	<b>319,848</b>			
Richard Cousins	209,436	–	176,902	32,534	–	921.00	29 Nov 2013	1 Oct 2016
	221,475	–	–	–	<b>221,475</b>	1145.00	6 Feb 2015	1 Oct 2017
	234,804	–	–	–	<b>234,804</b>	1080.00	25 Nov 2015	1 Oct 2018
	–	196,980	–	–	<b>196,980</b>	1326.00	23 Nov 2016	1 Oct 2019
<b>Total</b>	<b>665,715</b>	<b>196,980</b>	<b>176,902</b>	<b>32,534</b>	<b>653,259</b>			
Gary Green	121,620	–	102,727	18,893	–	921.00	29 Nov 2013	1 Oct 2016
	130,785	–	–	–	<b>130,785</b>	1145.00	6 Feb 2015	1 Oct 2017
	148,479	–	–	–	<b>148,479</b>	1080.00	25 Nov 2015	1 Oct 2018
	–	137,271	–	–	<b>137,271</b>	1326.00	23 Nov 2016	1 Oct 2019
<b>Total</b>	<b>400,884</b>	<b>137,271</b>	<b>102,727</b>	<b>18,893</b>	<b>416,535</b>			
Johnny Thomson	45,180	–	38,161	7,019	–	921.00	29 Nov 2013	1 Oct 2016
	42,870	–	–	–	<b>42,870</b>	1145.00	6 Feb 2015	1 Oct 2017
	106,482	–	–	–	<b>106,482</b>	1080.00	25 Nov 2015	1 Oct 2018
	–	86,724	–	–	<b>86,724</b>	1326.00	23 Nov 2016	1 Oct 2019
<b>Total</b>	<b>194,532</b>	<b>86,724</b>	<b>38,161</b>	<b>7,019</b>	<b>236,076</b>			

### BELOW BOARD PLAN

DIRECTOR	AS AT 30 SEPT 2016: NUMBER OF SHARES	RELEASED DURING THE YEAR: NUMBER OF SHARES	LAPSED DURING THE YEAR: NUMBER OF SHARES	AS AT 30 SEPT 2017: NUMBER OF SHARES	DATE OF AWARD	MATURITY DATE
Johnny Thomson	10,622 <sup>6</sup>	10,622	–	–	29 Nov 2013	29 Nov 2016
<b>Total</b>	<b>10,622</b>	<b>10,622</b>	<b>–</b>	<b>–</b>		

- One third of each award granted is based on a three year performance period, one third on a ROCE target, one third on AFCF and one third on growth in the Company's TSR relative to the FTSE 100, excluding the financial service sector. The performance period of the award granted on 29 November 2013 came to an end on 30 September 2016. This award vested in part at 84.5% of the maximum award. The shares disclosed as lapsed during the year represent the proration of the original award.
- The aggregate gross gain realised by Messrs Blakemore, Cousins and Green in the year ended 30 September 2017 was £4,676,104 (2015-2016: £4,233,227) based on a sale price of 1,353.0862 pence per share on 23 November 2016. So as to continue to build up his holding in accordance with the Company's share ownership guidelines, Mr Thomson elected to sell only sufficient shares released to him under the 2013-2014 LTIP to meet tax and social security obligations arising on vesting of his awards for which he made £78,425 (based on a sale price of 1,353.0862 pence per share on 23 November 2016). Had he elected to sell all his vested shares, he would have made a notional gross gain of £516,351. The closing share price on the day preceding the release of their awards was 1,326.00 pence per share.
- The performance period of the award granted on 6 February 2015, came to an end on 30 September 2017. The award vested in part at 74.5% of maximum award.
- All awards were granted for nil consideration.
- The highest mid-market price of the Company's ordinary shares during the year ended 30 September 2017 was 1,690 pence per share and the lowest was 1,318 pence per share. The year end price was 1,583 pence per share.
- As detailed in note 9 on page 85, Mr Thomson had an interest in 10,622 shares which were awarded in connection with a 'below board' plan prior to his appointment as a director of the Company. These shares vested on 29 November 2016. Mr Thomson elected to keep all of these shares. Had Mr Thomson sold his 10,622 shares he would have made the notional gross gain of £146,584 based on a closing price of 1,380.00 pence per share on 28 November 2016 the date preceding the release of his award.

### DIRECTORS' REMUNERATION REPORT CONTINUED

## Annual Remuneration Report continued

### PENSIONS

At 30 September 2017, there were no executive directors actively participating in any Compass Group defined benefit pension arrangements and none of the executive directors were accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as executive directors.

Since their appointment, and for the year under review, Dominic Blakemore, Richard Cousins, Gary Green and Johnny Thomson each received a pension cash allowance equal to 35% of their base salaries in lieu of pension.

### EXIT PAYMENTS

As announced on 21 September 2017, Richard Cousins will step down from the Board and his role as Group CEO on 31 March 2018 and will retire from the Group on 30 September 2018. Mr Cousins will be entitled to the payments detailed below under his service contract. No payment for compensation for loss of office is to be paid.

### RICHARD COUSINS

Mr Cousins will continue to receive salary, pension cash allowance and benefits in respect of the period up to and including 30 September 2018, which comprises his notice period. Mr Cousins will also receive payment in respect of any accrued but untaken holiday as at 30 September 2018, calculated in accordance with his service contract. Mr Cousins' base salary for the year ending 30 September 2018 will remain at £1,070,000. His benefits for the year ended 30 September 2017 were £42,000. It is expected that his benefits in kind for the year ending 30 September 2018 will be of a similar amount to the year ended 30 September 2017.

Mr Cousins will remain eligible for a bonus in respect of the financial year ending 30 September 2018, to be paid at the same time as other participants in the Executive Bonus Scheme, and subject to the same financial and business performance conditions being met. Mr Cousins' bonus payment for the year ended 30 September 2017 was £1,474,032. The amount for bonus in respect of the year ending 30 September 2018 will depend on corporate results for the year and cannot be estimated at the date of this Report.

Existing awards under The Compass Group PLC Long Term Incentive Plan 2010 will be allowed to remain outstanding until their normal vesting dates in accordance with the plan rules. The extent of vesting of each award will be assessed on the normal vesting date, based on existing performance conditions and subject to time prorating based on the period to 30 September 2018 (the date on which his employment ends). Thus, the awards made in respect of the performance period October 2014 to September 2017 (over 221,475 shares) will vest subject to achievement of the original performance conditions. Mr Cousins will be entitled to retain the award (over 234,804 shares) made in respect of the performance period October 2015 to September 2018 which will vest subject to achievement of the original performance conditions. He will be entitled to retain a reduced award (over 131,320 shares) in respect of the performance period October 2016 to September 2019, prorated to 30 September 2018 and which will vest subject to achievement of the original performance conditions. The two year post vesting holding period for all outstanding awards will continue to apply. No further awards of any long term incentives will be received by Mr Cousins.

### ANDREW MARTIN

As set out on page 77 of the 2016 Annual Report, in accordance with the provisions of his service contract (which was entered into in 2007 before the Company's policy with regard to the inclusion of bonus in termination payments was changed in 2008 so as to exclude them) Andrew Martin, who stepped down from the Board on 1 December 2015, continued to be employed by the Company until 31 December 2016. Mr Martin was entitled to receive a maximum of £1,472,900 as set out in the 2016 Annual Report, of which £583,628 was paid in the three months ended 31 December 2016.

### SUSAN MURRAY

Susan Murray stepped down from the Board and its committees at the conclusion of the 2017 AGM. Other than the fees payable to Mrs Murray for the period up to 2 February 2017, no remuneration or payment was made to her in connection with her ceasing to be a director of the Company.

No other payments were made during the year ended 30 September 2017 to any past director of the Company. On the relevant dates statements prepared pursuant to section 430(2B) of the CA 2006 are posted on the Company's website at [www.compass-group.com](http://www.compass-group.com).

### EXTERNAL APPOINTMENTS

Executive directors may take up one non-executive directorship outside of the Group subject to the Board's approval, provided that such appointment is not likely to lead to a conflict of interest. It is recognised that non-executive duties can broaden experience and knowledge which can benefit the Company. Richard Cousins stepped down as a non-executive director of Tesco PLC on 3 January 2017. His fees of £31,319 reflect his time in office during the year in respect of his directorship of that company, which he was permitted to retain. Mr Blakemore received fees of €169,843 in respect of his directorship of Shire plc. At the date of this Report, neither Gary Green nor Johnny Thomson hold any external appointments.



## NON-EXECUTIVE DIRECTORS' REMUNERATION

Details of amounts received by Paul Walsh during the year ended 30 September 2017 are shown below:

CHAIRMAN	FEES £000	BENEFITS <sup>1</sup> £000	TOTAL 2017 £000	TOTAL 2016 £000
Paul Walsh	510	50	560	550

1. Benefits for the year ended 30 September 2017, but not beyond, comprise payment in lieu of the provision by the Company of a car and chauffeur for use on Company business.

Details of the fees paid to each of the non-executive directors in office for the year ended 30 September 2017 are set out below:

	2017 £000	2016 £000
Carol Arrowsmith	109	106
John Bason	111	106
Stefan Bomhard <sup>1</sup>	84	34
Susan Murray <sup>2</sup>	34	96
Don Robert	111	111
Nelson Silva	94	84
Ireena Vittal	84	84
<b>Total</b>	<b>627</b>	<b>621</b>

1. Appointed to the Board on 5 May 2016.  
2. Stepped down from the Board and its committees at the conclusion of the 2017 AGM.

## SHARE OWNERSHIP GUIDELINES AND DIRECTORS' INTERESTS IN SHARES

In order that their interests are linked with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company as set out in the share ownership guidelines as described on page 65 of the Policy in the 2016 Annual Report and Accounts.

The Committee reviewed and noted that the guidelines, as described on page 65 of the 2016 Annual Report and Accounts, were satisfied by all directors in office during the year. The interests of the directors in office during the year ended 30 September 2017 in shares (including the interests of Persons Closely Associated) and share incentives are shown in the table below:

DIRECTOR	BENEFICIAL		CONDITIONAL		SHAREHOLDING REQUIRED <sup>3</sup>	COMPLIANCE WITH SHAREHOLDING
	SHARES HELD AS AT 30 SEPT 2017 <sup>1</sup> OR DATE OF LEAVING	SHARES HELD AS AT 30 SEPT 2016 <sup>2</sup>	LTIP HOLDINGS AS AT 30 SEPT 2017 OR DATE OF LEAVING	LTIP HOLDINGS AS AT 30 SEPT 2016		
Carol Arrowsmith	9,904	9,711	n/a	n/a	100%	✓
John Bason	10,782	10,927	n/a	n/a	100%	✓
Dominic Blakemore	96,678	100,546	319,848	301,410	200%	✓
Stefan Bomhard	5,865	6,100	n/a	n/a	100%	✓
Richard Cousins	976,745	1,215,815	653,259	665,715	200%	✓
Gary Green	255,595	265,819	416,535	400,884	200%	✓
Susan Murray <sup>5</sup>	11,763	12,234	n/a	n/a	100%	✓
Don Robert	27,149	28,235	n/a	n/a	100%	✓
Nelson Silva	7,884	8,200	n/a	n/a	100%	✓
Johnny Thomson	134,259	96,643	236,076	194,532	200%	✓
Ireena Vittal	1,791	1,863	n/a	n/a	100%	✓
Paul Walsh	35,395	21,411	n/a	n/a	100%	✓

1. Ordinary shares of 11½ pence each unless indicated otherwise.  
2. Ordinary shares of 10 pence each.  
3. As a percentage of base salary or fee with effect from 10 September 2017.  
4. Requirement under current guidelines to achieve within a four year period commencing from date of appointment.  
5. Mrs Murray stepped down from the Board on 2 February 2017. The figure disclosed is the post consolidation number of shares based on her holding of 12,234 shares at the date of her retirement.

There were no changes in directors' interests between 30 September 2017 and 21 November 2017.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## Annual Remuneration Report continued

## REMUNERATION OF OTHER SENIOR EXECUTIVES AND MANAGEMENT

A number of senior executives and the executive directors comprise the Executive Board. These key management roles influence the ability of the Group to meet its strategic targets. The Committee has regard to the remuneration level and structure of this group. Total remuneration including base salary and other short term benefits, target (or par) bonus and the expected value of long term incentives is summarised in note 3 to the consolidated financial statements on page 125.

## REMUNERATION ADVICE

The Chairman and the Group Chief Executive, together with Robin Mills (Group HR Director) and Lorna Benton (Group Reward Director) are normally invited to attend each Committee meeting and provide advice and guidance to the Committee (other than in respect of their own remuneration) for which they are not paid a fee in addition to their remuneration from the Company under their service contracts. Details of the members of the Committee who served during the year ended 30 September 2017 are set out on pages 48 and 49.

The Committee also has access to detailed external information and research on market data and trends from independent consultants. During the year and after a competitive tender process, the Committee retained WillisTowersWatson LLP (WTW) to advise on remuneration related matters, including the Remuneration Policy review, as well as undertaking a benchmarking exercise in respect of the remuneration of the Chairman and executive directors for which it received total fees (based on hours spent) of £167,000. WTW provided services globally which comprised remuneration benchmarking, insurance brokerage and other consultancy advice.

Alithos Limited (Alithos) was appointed by the Company in 2002. Alithos provided information for the testing of the TSR performance conditions for the Company's LTIP awards, for which it received fixed fees of £24,000 (2016: £24,000). It also provided the TSR performance graph for the Directors' Remuneration Report, for which it received a fixed fee of £500 (2016: £500). Alithos did not provide any other advice or services to the Company during the year.

The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of its members generally, including Carol Arrowsmith, Chairman of the Committee, who was formerly a remuneration consultant with Deloitte LLP.

## SHAREHOLDER VOTE ON 2015-2016 DIRECTORS' REMUNERATION REPORT

The table below shows the voting outcome at the AGM held on 2 February 2017 for the 2015-2016 Annual Remuneration Report (advisory vote):

	NUMBER OF VOTES 'FOR' & 'DISCRETIONARY'	% OF VOTES CAST	NUMBER OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NUMBER OF VOTES CAST	NUMBER OF VOTES 'WITHHELD' <sup>1</sup>
Annual Remuneration Report	1,212,095,480	94.33	72,788,784	5.67	1,284,884,264	809,642

1. A vote withheld is not a vote in law.

The Committee welcomed the endorsement of the Remuneration Report by shareholders and took steps, wherever practicable, to understand shareholders' concerns when withholding their support.

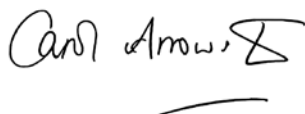
The Remuneration Policy approved by shareholders at the 2015 AGM remains in force and will continue to be in force, subject to a binding vote on the proposed Remuneration Policy by shareholders at the forthcoming AGM on 8 February 2018. For ease of reference, the voting outcome of the 2015 AGM is shown below (binding vote):

	NUMBER OF VOTES 'FOR' & 'DISCRETIONARY'	% OF VOTES CAST	NUMBER OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NUMBER OF VOTES CAST	NUMBER OF VOTES 'WITHHELD' <sup>1</sup>
Remuneration Policy	1,094,017,323	90.79	110,932,945	9.21	1,204,950,268	55,045,261

1. A vote withheld is not a vote in law.

At the 2018 AGM, shareholders will be invited to vote on the Annual Remuneration Report for 2016-2017 (advisory vote) and the proposed Remuneration Policy for 2018-2021 (binding vote).

On behalf of the Board



**Carol Arrowsmith**

Chairman of the Remuneration Committee

21 November 2017

## OTHER STATUTORY DISCLOSURES

This Directors' Report forms part of the management report as required under DGTR 4. The Strategic Report on pages 1 to 41 includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy. The Corporate Governance Report on pages 42 to 94, the Other Statutory Disclosures on pages 95 to 100 and the Directors' Responsibilities Statement on page 101 are incorporated into the Directors' Report by reference.

The following disclosures have been included elsewhere within the Annual Report and are incorporated into the Directors' Report by reference.

DISCLOSURE	PAGE
Going Concern	33
Viability Statement	33
Risk Management	34
Carbon Emissions	39

## DIRECTORS

Particulars of the directors in office at the date of this Report are listed on pages 47 to 49. In accordance with the Code, each director will retire and submit himself or herself for re-election at the 2018 AGM.

There were a number of changes to the composition of the Board and its committees during the year. On 2 February 2017, at the conclusion of the Company's AGM, Susan Murray stepped down as a non-executive director, having spent just over nine years on the Board. On the same day, she was succeeded as Chairman of the Corporate Responsibility Committee by Nelson Silva. On 21 September 2017, the Company announced that Dominic Blakemore would be appointed as Deputy Group Chief Executive with effect from 1 October 2017 and will succeed Richard Cousins as Group Chief Executive on 1 April 2018.

## RESULTS AND DIVIDENDS

In the year ended 30 September 2017, the Group delivered an underlying profit before tax of £1,591 million (2016: £1,344 million) an increase of 18.3%; and a statutory profit before tax of £1,560 million (2016: £1,321 million) an increase of 18.1%. A summary of the dividends on ordinary shares for the year ended 30 September 2017 compared with 2016 is shown below:

YEAR	DIVIDEND	PENCE PER SHARE
2017	Special	61.0
<b>2017</b>	<b>Subtotal</b>	<b>61.0</b>
2017	Interim	11.2
2017	Final (recommended) <sup>1</sup>	22.3
<b>2017</b>	<b>Subtotal</b>	<b>33.5</b>
<b>2017</b>	<b>Total</b>	<b>94.5</b>
2016	Interim	10.6
2016	Final	21.1
2016	Total	31.7

1. To be paid gross to holders of ordinary shares of 11½ pence. A dividend reinvestment plan (DRIP) is available. The latest date for receipt of elections for the DRIP is 5 February 2018.

On 10 May 2017, the Company announced that it proposed to return approximately £1 billion to shareholders by way of a special dividend of 61.0 pence per then existing ordinary share of 10½ pence each in the capital of the Company (existing ordinary shares) (the Shareholder Return) which would be accompanied by the consolidation of every 26 then existing ordinary shares into 25 new ordinary shares of 11½ pence each (new ordinary shares) (the Share Capital Consolidation). At a general meeting of shareholders held on 7 June 2017 (2017 GM), shareholders voted by a majority of 99.99% in favour of the resolution to approve the Shareholder Return and the Share Capital Consolidation.

The Share Capital Consolidation took place on 26 June 2017 and the new ordinary shares were subsequently admitted to the Official List of the UK Listing Authority and commenced trading on the London Stock Exchange's main market for listed securities after 8.00 am on 27 June 2017.

The 2017 interim dividend of 11.2 pence per existing ordinary share (2016: 10.6 pence) was paid to shareholders on 19 June 2017.

The special dividend of 61.0 pence per share was paid on 17 July 2017 to shareholders in connection with the Shareholder Return.

Payment of the recommended final dividend for the year ended 30 September 2017, if approved at the 2018 AGM, will be made on 26 February 2018 to shareholders registered at the close of business on 19 January 2018. The shares will be quoted ex-dividend from 18 January 2018.

During the year, the trustees of each of the employee benefit trusts which operate in connection with the Company's share plans waived their rights to receive dividends on any shares held by them. Details of the trusts can be found on page 97 of this Report. The amount of dividends waived during the year ended 30 September 2017 in relation to the trusts was £15,113 (2016: £7,725).

As at the date of this Report, there were 8,182,749 ordinary 11½ pence shares held in treasury for the purpose of satisfying the Company's obligations under the Company's employee equity incentive schemes. Shares held in treasury are not entitled to receive dividends. Therefore, £8,262,774 (2016: £3,737,324) worth of dividends were not paid during the financial year in relation to treasury shares. A dividend reinvestment plan is available to eligible shareholders. Details can be found on page 182.

### OTHER STATUTORY DISCLOSURES CONTINUED

#### SHARE CAPITAL

##### GENERAL

Following the Shareholder Return and accompanying Share Capital Consolidation, more detail of which is set out on page 184, as at the date of this Report, 1,589,736,625 ordinary shares of 11½ pence each (of which 8,182,749 are held in treasury) have been issued, are fully paid up and are quoted on the London Stock Exchange. The total voting rights attaching to the issued ordinary share capital (excluding treasury shares) at the date of this Report is 1,581,553,876. In addition, the Company sponsors a Level I American Depositary Receipts programme with BNY Mellon, under which the Company's shares are traded on the over the counter market in the form of American Depositary Shares.

During the year ended 30 September 2017, 719,724 options were exercised and 2,293,559 awards released pursuant to the Company's share option schemes and long term incentive plans. Of those options exercised and awards released, all were satisfied by the reissue of 3,013,283 treasury shares. A further 45,427 treasury shares have been used to satisfy awards under these schemes since the end of the financial year to the date of this Report.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the EU Market Abuse Regulation, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

More detailed information relating to the rights and obligations attaching to the Company's ordinary shares, in addition to those conferred by law, are set out in the Company's Articles of Association, which are available on the Company's website as well as on pages 24 and 25 of the Annual Report for the year ended 30 September 2007. The 2007 Annual Report is available on the Company's website at [www.compass-group.com](http://www.compass-group.com).

##### REPURCHASE OF SHARES

From 1 October 2016 to 21 April 2017, the Company repurchased and subsequently cancelled 1,340,344 ordinary shares of 10½ pence for a consideration of £19 million (including expenses).

On 14 June 2017, 35 ordinary shares of 10½ pence were repurchased for a consideration of £582 (including expenses) in relation to the Shareholder Return and associated Share Capital Consolidation. Of the 35 shares repurchased, 10 were placed into treasury and the remaining 25 shares were subsequently cancelled.

No shares were repurchased between 15 June 2017 and 30 September 2017. No further shares have been repurchased in the period from 1 October to the date of this Report.

As at the date of this Report there are 1,589,736,625 ordinary shares of 11½ pence in issue and 8,182,749 ordinary shares of 11½ pence held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

Returns to shareholders continue to be an integral part of our business model and it is the Board's intention to continue to maintain strong investment grade credit ratings by returning any surplus cash.

At the 2018 AGM, a special resolution will be proposed to renew the directors' limited authority to repurchase ordinary shares in the market, last granted at the 2017 GM. The directors consider it desirable for this general authorisation to be available in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund any infill acquisitions.

The authority sets the minimum and maximum prices which may be paid and it will be limited to a maximum of 10% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM. Any purchases of ordinary shares will be by means of market purchases through the London Stock Exchange and any shares purchased may be cancelled or placed into treasury in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

## ISSUE OF SHARES

At the 2018 AGM, the directors will ask shareholders to renew the authority last granted to them at the 2017 GM to allot equity shares representing approximately one third of the issued ordinary shares calculated at the latest practicable date prior to the publication of the Notice of AGM (the section 551 authority) and, in accordance with the Investment Association Share Capital Management Guidelines, the directors again propose to extend this by a further one third of the Company's issued ordinary share capital, provided that such amount shall only be used in connection with a rights issue. If approved, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the AGM to be held in 2019, whichever is the sooner.

The limited power granted to the directors at the 2017 GM to allot equity shares for cash other than pro rata to existing shareholders expires no later than 6 September 2018. Subject to the terms of the section 551 authority, this authority is in line with the Statement of Principles on Pre-emption Rights issued by the Pre-Emption Group and supported by the Investment Association and the Pensions and Lifetime Savings Association (the Principles). If granted, this authority will give the directors the ability (until the AGM to be held in 2019) to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5% of the issued ordinary share capital (whether or not in connection with an acquisition or specified capital investment) calculated at the latest practicable date prior to the publication of the Notice of AGM. In accordance with the Principles, the directors propose to extend this by an additional 5% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM, provided that the additional authority would only be used for the purpose of an acquisition or a specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. In line with recommended best practice, the Company has split the disapplication of pre-emption rights authority into two separate resolutions. The first resolution seeks authorisation for 5% of the issued ordinary share capital to be issued on an unrestricted basis, whilst the second resolution seeks authority for an additional 5% of the issued ordinary share capital to be used for an acquisition or a specified capital investment.

Also, in line with best practice, the Company has not issued more than 7.5% of its issued ordinary share capital on a non-prorated basis over the last three years. The directors have no present intention to issue ordinary shares, other than pursuant to the Company's employee equity incentive share schemes, and this authority will maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities, should appropriate circumstances arise.

Details of repurchases into treasury shares and the reissue of treasury shares made during the year, together with details of options granted over unissued capital, are set out in note 21 to the consolidated financial statements on pages 153 and 154.

## SUBSTANTIAL SHAREHOLDINGS

The following major shareholdings have been notified to the Company as at 30 September 2017 and up to the date of this Report.

	% OF ISSUED CAPITAL <sup>1</sup>	% OF COMPASS GROUP PLC'S VOTING RIGHTS <sup>1</sup>
Blackrock, Inc.	9.99	9.99
Invesco Limited	4.95	4.95
Massachusetts Financial Services Company	9.96	9.96

1. At the date of disclosure.

Since the disclosure date, the shareholders' interests in the Company may have changed.

The number of shares held by the directors as at 30 September 2017 can be found on page 93 in the Directors' Remuneration Report.

## EMPLOYEE SHARE TRUSTS

The Compass Group Employee Share Trust (ESOP) and The Compass Group Employee Trust Number 2 (CGET) were established on 13 January 1992 and 12 April 2001 respectively in connection with the Company's share option plans. The Compass Group Long Term Incentive Plan Trust (LTIPT) was established on 5 April 2001 in connection with the Company's long term incentive plans. Details of all employee equity incentive schemes are set out in the Directors' Remuneration Report on pages 68 to 94. The trustees of the ESOP, LTIPT and CGET hold nil (2016: nil), 15,575<sup>1</sup> (2016: 16,198) and nil (2016: nil) ordinary shares of the Company respectively.

The Compass Group Executive Option Share Trust and the Compass Group Executive Share Trust were established on 15 and 22 February 2010 respectively in relation to the operation of equity incentive schemes in Australia. No ordinary shares were held by these trusts as at 30 September 2017 (2016: nil).

1. Following consolidation of the Company's entire issued share capital in connection with the Shareholder Return, more details of which may be found on page 184.

## AWARDS UNDER EMPLOYEE SHARE SCHEMES

Details of awards made during the year and held by executive directors as at 30 September 2017 are set out in the Directors' Remuneration Report on pages 68 to 94.

Details of employee equity incentive schemes and grants made during the year ended 30 September 2017 to, and extant awards held by, employees are disclosed in note 22 to the consolidated financial statements on pages 154 and 155.



### OTHER STATUTORY DISCLOSURES CONTINUED

#### EMPLOYEE POLICIES AND INVOLVEMENT

The Group places particular importance on the involvement of its employees, keeping them regularly informed through informal bulletins and other in-house publications, meetings and the Company's internal websites, on matters affecting them as employees and on the issues affecting their performance. Since 1996, those Group businesses in the European Economic Area (EEA) have been represented on the Compass European Council (CEC), which provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues affecting those countries in the EEA.

Permanent UK employees are normally invited to join the Company's defined contribution pension scheme, Compass Retirement Income Savings Plan (CRISP), on the completion of two years' service (this includes any service that may have transferred across under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)). CRISP has a corporate trustee, Nigel Palmer, a former employee of the Group, is chairman of the trustees. The other five trustee directors are UK based employees of the Group, two of whom have been nominated by CRISP members.

Those UK employees who transferred from the public sector under TUPE have been eligible to join the Compass Group Pension Plan (the Plan), a defined benefit pension arrangement which is otherwise closed to new entrants. However, under the Government's revised guidance for 'Fair Deal for staff pensions', the expectation is that the Group will in future participate in the relevant public sector pension scheme and close the Plan to future new entrants. The Plan also has a corporate trustee. Phillip Whittome is the independent chairman. There are a further five trustee directors, four of whom are either UK based employees or former employees of the Group (three of whom have been nominated by Plan members), and the fifth is an independent trustee director.

The Company became subject to the automatic enrolment regulations for its workforce in the UK on 1 November 2012, but deferred its staging date for automatic enrolment of eligible employees to 2 January 2013 as permitted by the regulations. Both the Plan and CRISP are compliant arrangements under these regulations and have been registered as such. All new UK employees who meet the statutory requirements, and who are not immediately entered into the Plan or CRISP, are automatically enrolled into the National Employment Savings Trust (NEST). The Group's compliance with the auto-enrolment regulations, and the performance of NEST, are kept under regular review by the Group's Pensions Department.

Permanent employees outside the UK are usually offered membership of local pension arrangements if and where they exist and where it is appropriate to have Company sponsored arrangements.

Employees are offered a range of benefits, such as private medical cover, depending on the local environment. Priority is given to the training of employees and the development of their skills. Employment of disabled people is considered on merit with regard only to the ability of any applicant to carry out the role. Arrangements to enable disabled people to carry out the duties required will be made if it is reasonable to do so. An employee becoming disabled would, where appropriate, be offered retraining.

The Group continues to operate on a decentralised basis. This provides the maximum encouragement for the development of entrepreneurial flair, balanced by a rigorous control framework exercised by a small head office team. Local management teams are responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision making.

#### NON-FINANCIAL REPORTING DIRECTIVE

The EU Non-Financial Reporting Directive was implemented into English law as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 earlier this year and requires companies with financial years beginning on or after 1 January 2017 to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity. The Audit Committee which advises the Board on such matters, will ensure that the Company is compliant with the Directive and includes the necessary disclosures in the 2018 Annual Report.

Throughout this Annual Report the directors have disclosed a mix of financial and non-financial KPIs which they believe best reflect the Group's strategic priorities; and which will help to convey an understanding of the culture of the business and the drivers which contribute to the ongoing success of the Company.

#### EMPLOYEE DIVERSITY AND HUMAN RIGHTS

Our Code of Ethics was developed in consultation with the CEC and the Institute of Business Ethics and sets out clear standards of behaviour that we expect all of our people to demonstrate and adhere to. The Code of Ethics, which is part of our CBC, underpins our social, ethical and environmental commitments and sends a clear message to our stakeholders of our commitment to responsible business practice. The 10 principles of the United Nations (UN) Global Compact, to which we are a signatory, underpin our own Code of Ethics. This UN initiative encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda. Our annual Communication on Progress can be viewed at [www.unglobalcompact.org](http://www.unglobalcompact.org).

Our people are instrumental in our success; we respect and value the individuality and diversity that every employee brings to the Group. We base our relationship with our employees on respect for the dignity of the individual and fair treatment for all. In October 2017, the Company published its second statement in accordance with the requirements of the Modern Slavery Act 2015, details of which can be found on the website at [www.compass-group.com](http://www.compass-group.com).

As at 30 September 2017, there were 588,112 (2016: 527,180) people employed by the Group (average number of employees including directors and part-time employees) of whom 323,462 were female (2016: 300,493) and 264,650 were male (2016: 226,687). 794 were senior managers, 602 male, 192 female (2016: 646 male, 198 female) which includes members of our global leadership team and statutory directors of corporate entities whose financial information is consolidated in the Group's accounts in this Annual Report. As at 30 September 2017 there were 11 directors, nine of whom were male and two were female on the Board of Directors of Compass Group PLC. Prior to any appointment to the Board, the Nomination Committee gives due regard to diversity and gender with a view to recommending the appointment of the most suitable candidate for the role.

We seek to create a positive, open working environment wherever we operate. Our employee policies are set locally to comply with local law within an overall Group framework and we monitor our employee satisfaction and engagement through a number of key performance indicators.

We also consider the concerns of wider communities where we operate, including national and local interests, utilising our relevant expertise to help contribute to the wellbeing of communities which are appropriate to our business objectives. Furthermore, the Group supports the rights of all people as set out in the UN Universal Declaration of Human Rights (UN Declaration) and considers carefully before doing any business in countries that do not adhere to the UN Declaration.

## GREENHOUSE GAS EMISSIONS REPORTING

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 September 2017 are set out within the Corporate Responsibility section of the Strategic Report on pages 38 and 39 and form part of the Directors' Report disclosures. Further details of the actions which the Group is taking to reduce emissions can also be found at [www.compass-group.com](http://www.compass-group.com). This Annual Report is certified carbon neutral by sponsoring a carbon neutral cause to offset against the emissions arising from the production, printing and delivery of this Report. This year, the Company has participated in a project in Brazil which aims to prevent deforestation and protect one of the world's most biodiverse habitats.

## DONATIONS AND POLITICAL EXPENDITURE

Charitable objectives support the Company's CR strategy and have primarily focused on improving the environment, education, health and wellbeing, community engagement and responsible business practice. Donations have included employee involvement through fundraising and financial support.

GROUP CHARITABLE DONATIONS	£M
<b>2017</b>	<b>8.3</b>
2016	8.5

Since 2004, shareholders have passed an annual resolution, on a precautionary basis, to approve donations to EU political organisations and to incur EU political expenditure (as such terms were defined under the then relevant legislation) not exceeding a monetary limit approved by shareholders. The Board has consistently confirmed that it operates a policy of not giving any cash contribution to any political party in the ordinary meaning of those words and that it has no intention of changing that policy.

No material amount of corporate funds or paid employee time has been utilised during the year for political activities and, in accordance with the Company's CBC, employees must not engage in any form of lobbying or have contact with political representatives, government employees or public interest groups unless they are doing so legitimately and adhering to internal control processes. Further information regarding the CBC can be found on page 60 of this Annual Report and on the Company's website at [www.compass-group.com](http://www.compass-group.com).

The directors propose to renew the authority granted at the 2017 AGM for the Group to make political donations and incur political expenditure (as such terms are defined in sections 362 to 365 of the CA 2006) until the Company's next AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006 and which would not amount to 'donations' in the ordinary sense of the word. It is proposed to maintain the limit of such authority at £100,000.

### OTHER STATUTORY DISCLOSURES CONTINUED

#### COMMUNICATING WITH SHAREHOLDERS

The Company places considerable importance on communication with its shareholders, including its private shareholders. The Group Chief Executive and the Group Finance Director are closely involved in investor relations and a senior executive has day to day responsibility for such matters. The views of the Company's major shareholders are reported to the Board by the Group Chief Executive and the Group Finance Director as well as by the Chairman (who remains in contact with our largest shareholders) and are discussed at its meetings.

There is regular dialogue with institutional shareholders, and private shareholders through the AGM. Contact with institutional shareholders (and with financial analysts, brokers and the media) is controlled by written guidelines in the Company's Corporate Communications Code and Market Soundings Policy, in compliance with EU Market Abuse Regulation requirements, to ensure the continued protection of share price sensitive information that has not already been made generally available to the Company's shareholders. Contact is also maintained, when appropriate, with shareholders to discuss overall remuneration plans and policies.

The primary method of communicating with shareholders is by electronic means, helping to make the Company more environmentally friendly by reducing waste and pollution associated with the production and posting of its Annual Report. The Annual Report and Accounts is available to all shareholders and can be accessed via the Company's website at [www.compass-group.com](http://www.compass-group.com). The Group's annual and interim results are also published on the Company's website, together with all other announcements and documents issued to the market, such as statements, interviews and presentations by the Group Chief Executive and Group Finance Director.

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting and it is Company policy not to combine resolutions to be proposed at general meetings. All shareholders are invited to the Company's AGM at which they have the opportunity to put questions to the Board and it is standard practice to have the chairmen of the Audit, Corporate Responsibility, Nomination and Remuneration committees available to answer questions. The results of proxy voting for and against each resolution, as well as abstentions, are announced to the London Stock Exchange and are published on the Company's website as soon as practicable after the meeting. Further shareholder information is available on pages 182 to 184.

#### CREST

The Company's ordinary shares and sterling Eurobonds are in CREST, the settlement system for stocks and shares.

#### DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 which have not already been disclosed elsewhere in this Report. Details of long term incentive plans can be found in the Directors' Remuneration Report on pages 68 to 94 and details of dividends waived by shareholders can be found on page 95.

#### SHAREHOLDER SERVICES

Details of services provided to shareholders can be found in the Shareholder Information section on pages 182 to 184 and on the Company's website.

#### AGM

The Notice of Meeting setting out the resolutions to be proposed at the 2018 AGM, together with explanatory notes, is set out on pages 185 to 194 of this Annual Report and is also available at [www.compass-group.com](http://www.compass-group.com). The directors consider that each of the resolutions is in the best interests of the Company and the shareholders as a whole and recommend that shareholders vote in favour of all of the resolutions.

On behalf of the Board



#### Mark White

Group General Counsel and Company Secretary

21 November 2017

Compass Group PLC

Registered in England and Wales No. 4083914

## DIRECTORS' RESPONSIBILITIES

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

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

We confirm that to the best of our knowledge:

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

The directors have permitted the auditor to undertake whatever inspections it considers to be appropriate for the purpose of enabling the auditor to give its audit opinion.

On behalf of the Board



**Mark White**

Group General Counsel and Company Secretary

21 November 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Independent auditor's report to the members of Compass Group PLC

## 1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Compass Group PLC (the Company) for the year ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet and the Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in notes A to T of the Group financial statements and A to K of the Parent Company financial statements.

### IN OUR OPINION:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.



### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 14 March 2014.

The period of total uninterrupted engagement is the four years ended 30 September 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

<b>Materiality:</b>	£65.0 million (2016: £60.7 million)
Group financial statements as a whole	4.2% (2016: 4.6%) of Group profit before tax
<b>Coverage</b>	97% (2016: 97%) of Group profit before tax
<b>Risks of material misstatement versus 2016</b>	
<b>Recurring risks</b>	Taxation – uncertain direct tax provisions 
	Supplier rebates & discounts 

## 2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	THE RISK	OUR RESPONSE
<p><b>Taxation – uncertain direct tax provisions</b></p> <p>Refer to page 57 (Governance and Directors' Report), pages 114 and 116 (accounting policy) and pages 127 and 128 (financial disclosures).</p>	<p><b>Uncertain outcome:</b></p> <p>The Group has extensive international operations and is subject to complex local and international tax legislation in the normal course of business.</p> <p>As a result of the complexities of tax rules on transfer pricing and other tax legislation the provisioning for uncertain direct tax positions is judgemental and requires the directors to make estimates in relation to these uncertainties.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place to identify and quantify its uncertain direct tax exposures;</li> <li>• <b>Our taxation expertise:</b> Using our tax specialists to analyse and challenge the assumptions used to determine provisions using our knowledge and experience of the application of international and local legislation by the relevant authorities and courts, and assessing whether the approach applied by the Group is supported by custom and practice in the industry;</li> <li>• <b>Test of detail:</b> Examining the calculations prepared by the directors and agreeing assumptions used to underlying data where possible;</li> <li>• With the help of our tax specialists, considering the judgements applied to each significant provision including the maximum potential exposure and the likelihood of a payment being required;</li> <li>• Inspecting correspondence with relevant tax authorities and assessing third party tax advice received to evaluate the conclusions drawn in the advice where relevant to the significant exposures faced by the Group; and</li> <li>• <b>Assessing transparency:</b> Assessing the adequacy of the Group's disclosures in respect of tax and uncertain direct tax positions.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• From the evidence we obtained we found the level of provisioning in respect of uncertain direct tax positions to be acceptable.</li> </ul>
<p><b>Supplier rebates and discounts</b></p> <p>Refer to page 57 (Governance and Directors' Report) and page 115 (accounting policy).</p>	<p><b>Rebates and discounts processing error:</b></p> <p>The Group has a variety of agreements with suppliers whereby rebates and discounts are earned based on the quantity of goods bought.</p> <p>The majority of the rebates and discounts due to the Group are reflected in the net price charged by its suppliers or are based on fixed percentages linked to the quantity of goods bought. There is little estimation or judgement involved in determining the timing and amount to be recognised. However, due to the large number of agreements in place across numerous jurisdictions within the Group, the complexity of transaction processing as well as supplier rebate periods frequently not being coterminous with the year end date, we consider that there is a risk of error.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place over the accounting for supplier rebates and discounts;</li> <li>• <b>Accounting application:</b> Inspecting underlying contractual terms and supplier correspondence for a selection of arrangements in place and considering whether the accounting policy had been applied appropriately to the terms of the rebate and/or discount;</li> <li>• <b>Test of details:</b> Performing detailed testing on a sample basis of the largest rebates and discounts recognised in the period, with particular attention to whether the rebates and discounts were recognised in the correct period and the appropriateness of any rebates and discounts accrued at the period end.</li> <li>• In addition we selected a sample of amounts invoiced as at the balance sheet date and agreed the underlying calculation to contractual terms and supplier correspondence; and</li> <li>• <b>Assessing transparency:</b> Assessing the adequacy of the Group's disclosures in respect of supplier rebates and discounts.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• The results of our testing were satisfactory and we found the amount of supplier rebates and discounts recognised to be acceptable.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT CONTINUED

	THE RISK	OUR RESPONSE
<p><b>Parent Company financial statements:</b></p> <p>Valuation of investments and recoverability of intercompany receivables</p> <p>Investments £1,017 million (2016: £1,003 million)</p> <p>Intercompany receivables £9,909 million (2016: £11,319 million)</p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 99% of the Company's total assets.</p> <p>We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Test of details:</b> Comparing a sample of the investment and intercompany receivables carrying value to the net assets of the investment to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying amount;</li> <li>• <b>Our sector experience:</b> Evaluating assumptions used in the applicable impairment model for the investment, in particular those relating to forecast profit growth for the investment using our knowledge and historic experience of the profitability of the underlying trading Group and assessing the directors' assumptions over the recoverability of intercompany receivables against our own knowledge of the trading performance and net assets of the relevant counterparty; and</li> <li>• <b>Benchmarking assumptions:</b> Comparing the assumptions in the applicable impairment model for the investment to externally derived data in relation to projected economic growth and discount rates.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the assessment of the carrying value of investments and the recoverability of intercompany receivables to be acceptable.</li> </ul>

### 3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £65.0 million (2016: £60.7 million), determined with reference to a benchmark of Group profit before tax of £1.6 billion (2016: £1.3 billion), of which it represents 4.2% (2016: 4.6%).

Materiality for the parent company financial statements was set at £52.3 million (2016: £52.3 million), determined with reference to a benchmark of total assets of which it represents 0.5% (2016: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3.3 million (2016: £3.0 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 54 (2016: 49) reporting components, we subjected 28 (2016: 25) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated on the next page.

The remaining 4% (2016: 4%) of total Group revenue, 3% (2016: 3%) of Group profit before tax and 3% (2016: 3%) of total Group assets is represented by 26 reporting components (2016: 24 components), none of which individually represented more than 0.5% (2016: 0.5%) of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.7 million to £52.3 million (2016: £0.2 million to £52.3 million), having regard to the mix of size and risk profile of the Group across the components.

The work on 25 of the 28 components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team visited 13 (2016: 8) component locations in Australia, Brazil, China, Chile, France, Japan, Kazakhstan, Mexico, Portugal, South Africa, UAE, US and the UK (2016: Australia, Canada, France, India, Japan, South Africa, US and UK) to assess the audit risk and strategy.

Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited.

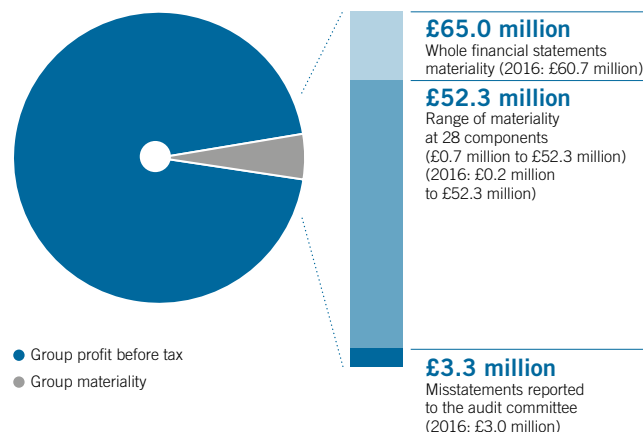
At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

#### GROUP PROFIT BEFORE TAX

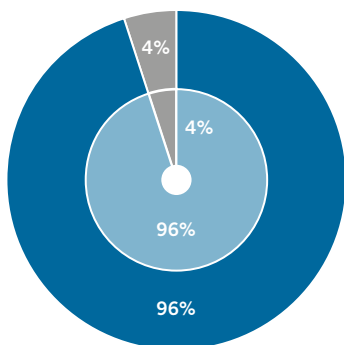
£1.6 billion  
(2016: £1.3 billion)

#### GROUP MATERIALITY

£65.0 million  
(2016: £60.7 million)

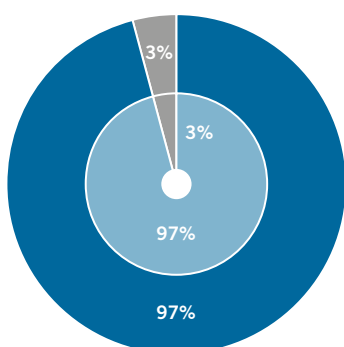


### GROUP REVENUE (%)



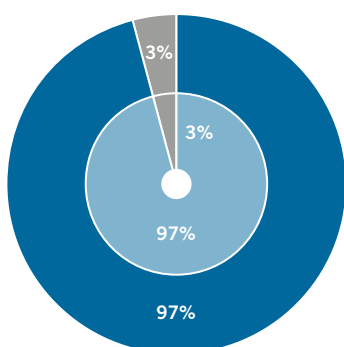
- Full scope for Group audit purposes 2017
- Full scope for Group audit purposes 2016
- Residual components

### GROUP PROFIT BEFORE TAX (%)



- Full scope for Group audit purposes 2017
- Full scope for Group audit purposes 2016
- Residual components

### GROUP TOTAL ASSETS (%)



- Full scope for Group audit purposes 2017
- Full scope for Group audit purposes 2016
- Residual components

## 4 WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- We have anything material to add or draw attention to in relation to the directors' statement in note A to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- If the related statement under the Listing Rules set out on page 33 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

## 5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

### DIRECTORS' REMUNERATION REPORT

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### DISCLOSURES OF PRINCIPAL RISKS AND LONGER TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- The directors' confirmation within the viability statement on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

## INDEPENDENT AUDITOR'S REPORT CONTINUED

- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- The directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

### CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Compliance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

### 6 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 7 RESPECTIVE RESPONSIBILITIES

### DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 101, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so. In addition the directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### 8 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Anthony Sykes**

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, London E14 5GL

21 November 2017

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2017

	NOTES	TOTAL 2017 £M	TOTAL 2016 £M
<b>Combined sales of Group and share of equity accounted joint ventures</b>	1	<b>22,852</b>	19,871
Less: share of sales of equity accounted joint ventures	11	(284)	(266)
<b>Revenue</b>		<b>22,568</b>	19,605
Operating costs	2	(20,945)	(18,235)
Operating costs, excluding Emerging Markets and Offshore & Remote restructuring		(20,945)	(18,210)
Emerging Markets and Offshore & Remote restructuring		–	(25)
<b>Operating profit before joint ventures and associates</b>		<b>1,623</b>	1,370
Share of profit after tax of joint ventures and associates	1,11	42	39
<b>Operating profit</b>	1	<b>1,665</b>	1,409
<b>Underlying operating profit<sup>1</sup></b>	1	<b>1,705</b>	1,445
Amortisation of intangibles arising on acquisition	1	(39)	(31)
Acquisition transaction costs	23	(2)	(2)
Adjustment to contingent consideration on acquisition		3	–
Share-based payments expense – non-controlling interest call option		–	(1)
Tax on share of profit of joint ventures		(2)	(2)
Profit on disposal of businesses		–	1
Finance income	4	6	4
Finance costs	4	(120)	(105)
Other financing items	4	9	12
<b>Profit before tax</b>	5	<b>1,560</b>	1,321
Income tax expense	5	(389)	(319)
<b>Profit for the year</b>		<b>1,171</b>	1,002
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company	6	1,161	992
Non-controlling interests		10	10
<b>Profit for the year</b>		<b>1,171</b>	1,002
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>71.3p</b>	60.4p
<b>DILUTED EARNINGS PER SHARE (PENCE)</b>	6	<b>71.3p</b>	60.3p

1. Underlying operating profit excludes amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense relating to non-controlling interest call options, but includes share of profit after tax of associates and operating profit of joint ventures. The reconciliation between statutory and underlying results is provided in note 32.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2017

	NOTES	2017 £M	2016 £M
<b>Profit for the year</b>		<b>1,171</b>	1,002
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Remeasurement of post employment benefit obligations – gain/(loss)	20	<b>125</b>	(500)
Return on plan assets, excluding interest income – (loss)/gain	20	<b>(96)</b>	480
Tax on items relating to the components of other comprehensive income	5	<b>(8)</b>	6
		<b>21</b>	(14)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences		<b>(47)</b>	158
		<b>(47)</b>	158
<b>Total other comprehensive (loss)/income for the year</b>		<b>(26)</b>	144
<b>Total comprehensive income for the year</b>		<b>1,145</b>	1,146
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company		<b>1,135</b>	1,136
Non-controlling interests		<b>10</b>	10
<b>Total comprehensive income for the year</b>		<b>1,145</b>	1,146

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

	ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY							TOTAL £M
	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	OWN SHARES £M	OTHER RESERVES £M	RETAINED EARNINGS £M	NON-CONTROLLING INTERESTS £M	
At 1 October 2016	176	182	295	–	4,359	(2,507)	15	2,520
Profit for the year	–	–	–	–	–	1,161	10	1,171
<b>Other comprehensive income</b>								
Currency translation differences	–	–	–	–	(47)	–	–	(47)
Remeasurement of post employment benefit obligations – gain	–	–	–	–	–	125	–	125
Return on plan assets, excluding interest income – loss	–	–	–	–	–	(96)	–	(96)
Tax on items relating to the components of other comprehensive income (note 5)	–	–	–	–	(1)	(7)	–	(8)
Total other comprehensive (loss)/income	–	–	–	–	(48)	22	–	(26)
Total comprehensive (loss)/income for the year	–	–	–	–	(48)	1,183	10	1,145
Fair value of share-based payments (note 22)	–	–	–	–	21	–	–	21
Use of treasury shares to satisfy employee share options	–	–	–	–	(3)	–	–	(3)
Tax on items taken directly to equity (note 5)	–	–	–	–	–	3	–	3
Share buyback <sup>1</sup>	–	–	–	–	–	(19)	–	(19)
Other changes	–	–	–	–	(9)	(1)	10	–
	176	182	295	–	4,320	(1,341)	35	3,667
Dividends paid to Compass shareholders (note 7)	–	–	–	–	–	(1,534)	–	(1,534)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(13)	(13)
At 30 September 2017	176	182	295	–	4,320	(2,875)	22	2,120

1. Including stamp duty and brokers' commission.

	SHARE-BASED PAYMENT RESERVE £M	MERGER RESERVE £M	REVALUATION RESERVE £M	TRANSLATION RESERVE £M	ADJUSTMENT FOR NON-CONTROLLING INTEREST PUT OPTIONS RESERVE £M	TOTAL OTHER RESERVES £M
<b>OTHER RESERVES</b>						
At 1 October 2016	193	4,170	7	(5)	(6)	4,359
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	(47)	–	(47)
Tax on items relating to the components of other comprehensive income (note 5)	–	–	–	(1)	–	(1)
Total other comprehensive loss	–	–	–	(48)	–	(48)
Fair value of share-based payments (note 22)	21	–	–	–	–	21
Use of treasury shares to satisfy employee share options	(3)	–	–	–	–	(3)
Other changes	–	–	–	–	(9)	(9)
At 30 September 2017	211	4,170	7	(53)	(15)	4,320

Own shares held by the Group represent 15,575 new 11½ pence ordinary shares in Compass Group PLC after the Share Capital Consolidation, see note 21 (2016: 16,198 10½ pence ordinary shares) and are held by the Compass Group Long Term Incentive Plan Trust (LTIPT). These shares are listed on a recognised stock exchange and their market value at 30 September 2017 was £0.2 million (2016: £0.2 million). The nominal value held at 30 September 2017 was £1,721 (2016: £1,721).

LTIPT 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. All of the shares held by the LTIPT are required to be made available in this way.

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

For the year ended 30 September 2017

	ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY							NON-CONTROLLING INTERESTS £M	TOTAL £M
	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	OWN SHARES £M	OTHER RESERVES £M	RETAINED EARNINGS £M			
At 1 October 2015	176	182	295	(1)	4,189	(2,904)	13	1,950	
Profit for the year	–	–	–	–	–	992	10	1,002	
<b>Other comprehensive income</b>									
Currency translation differences	–	–	–	–	158	–	–	158	
Remeasurement of post employment benefit obligations – loss	–	–	–	–	–	(500)	–	(500)	
Return on plan assets, excluding interest income – gain	–	–	–	–	–	480	–	480	
Tax on items relating to the components of other comprehensive income (note 5)	–	–	–	–	(2)	8	–	6	
Total other comprehensive income/(loss)	–	–	–	–	156	(12)	–	144	
Total comprehensive income for the year	–	–	–	–	156	980	10	1,146	
Fair value of share-based payments	–	–	–	1	16	1	–	18	
Release of LTIP award settled by issue of new shares	–	–	–	–	(2)	–	–	(2)	
Tax on items taken directly to equity (note 5)	–	–	–	–	–	9	–	9	
Share buyback <sup>1</sup>	–	–	–	–	–	(100)	–	(100)	
Issue of treasury shares to satisfy employee share scheme awards exercised	–	–	–	–	–	3	–	3	
Other changes	–	–	–	–	–	–	1	1	
	176	182	295	–	4,359	(2,011)	24	3,025	
Dividends paid to Compass shareholders (note 7)	–	–	–	–	–	(496)	–	(496)	
Dividends paid to non-controlling interests	–	–	–	–	–	–	(9)	(9)	
At 30 September 2016	176	182	295	–	4,359	(2,507)	15	2,520	

1. Including stamp duty and brokers' commission.

	SHARE-BASED PAYMENT RESERVE £M	MERGER RESERVE £M	REVALUATION RESERVE £M	TRANSLATION RESERVE £M	ADJUSTMENT FOR NON-CONTROLLING INTEREST PUT OPTIONS RESERVE £M	TOTAL OTHER RESERVES £M
<b>OTHER RESERVES</b>						
At 1 October 2015	179	4,170	7	(161)	(6)	4,189
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	158	–	158
Tax on items relating to the components of other comprehensive income (note 5)	–	–	–	(2)	–	(2)
Total other comprehensive income	–	–	–	156	–	156
Fair value of share-based payments (note 22)	16	–	–	–	–	16
Release of LTIP award settled by issue of new shares	(2)	–	–	–	–	(2)
At 30 September 2016	193	4,170	7	(5)	(6)	4,359

# CONSOLIDATED BALANCE SHEET

For the year ended 30 September 2017

	NOTES	2017 £M	2016 £M
<b>NON-CURRENT ASSETS</b>			
Goodwill	8	3,994	4,050
Other intangible assets	9	1,537	1,469
Property, plant and equipment	10	1,000	953
Interests in joint ventures and associates	11	220	222
Other investments	12	63	50
Post employment benefit assets <sup>1</sup>	20	259	244
Trade and other receivables	13	104	97
Deferred tax assets*	5	132	149
Derivative financial instruments**	17	139	184
<b>Non-current assets</b>		<b>7,448</b>	7,418
<b>CURRENT ASSETS</b>			
Inventories	14	353	347
Trade and other receivables	13	2,701	2,596
Tax recoverable*		86	77
Cash and cash equivalents**	15	387	346
Derivative financial instruments**	17	4	2
<b>Current assets</b>		<b>3,531</b>	3,368
<b>Total assets</b>		<b>10,979</b>	10,786
<b>CURRENT LIABILITIES</b>			
Short term borrowings**	16	(20)	(321)
Derivative financial instruments**	17	(6)	(9)
Provisions	19	(132)	(143)
Current tax liabilities*		(227)	(195)
Trade and other payables	18	(3,892)	(3,851)
<b>Current liabilities</b>		<b>(4,277)</b>	(4,519)
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings**	16	(3,939)	(3,075)
Derivative financial instruments**	17	(11)	(1)
Post employment benefit obligations	20	(231)	(265)
Provisions	19	(266)	(280)
Deferred tax liabilities*	5	(48)	(40)
Trade and other payables	18	(87)	(86)
<b>Non-current liabilities</b>		<b>(4,582)</b>	(3,747)
<b>Total liabilities</b>		<b>(8,859)</b>	(8,266)
<b>Net assets</b>		<b>2,120</b>	2,520
<b>EQUITY</b>			
Share capital	21	176	176
Share premium account		182	182
Capital redemption reserve		295	295
Other reserves		4,320	4,359
Retained earnings		(2,875)	(2,507)
<b>Total equity shareholders' funds</b>		<b>2,098</b>	2,505
<b>Non-controlling interests</b>		<b>22</b>	15
<b>Total equity</b>		<b>2,120</b>	2,520

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

1. Represented to reclassify £244 million of post employment benefit pension schemes in a net surplus position included within post employment benefit obligations for the year ended 30 September 2016. As a result non-current assets and non-current liabilities have increased by the same amount.

Approved by the Board of Directors on 21 November 2017 and signed on their behalf by

**Richard Cousins**, Director

**Johnny Thomson**, Director

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2017

	NOTES	2017 £M	2016 £M
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24	2,068	1,768
Interest paid		(103)	(98)
Tax received		25	17
Tax paid	5	(357)	(263)
<b>Net cash from operating activities</b>		<b>1,633</b>	<b>1,424</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of subsidiary companies and investments in associated undertakings <sup>1</sup>	23	(96)	(180)
Purchase of additional interest in joint operations	11	(5)	–
Proceeds from sale of subsidiary companies and associated undertakings <sup>1</sup>		19	2
Purchase of intangible assets	9	(339)	(267)
Purchase of property, plant and equipment <sup>2</sup>		(376)	(311)
Proceeds from sale of property, plant and equipment/intangible assets		32	29
Purchase of other investments	12	(8)	(6)
Proceeds from sale of other investments		–	2
Dividends received from joint ventures and associates		39	33
Interest received		6	4
<b>Net cash used in investing activities</b>		<b>(728)</b>	<b>(694)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Purchase of own shares <sup>3</sup>	21	(19)	(100)
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		–	3
Increase in borrowings	25	1,290	194
Repayment of borrowings	25	(571)	(309)
Repayment of obligations under finance leases	25	(6)	(3)
Equity dividends paid	7	(1,534)	(496)
Dividends paid to non-controlling interests		(13)	(9)
<b>Net cash used in financing activities</b>		<b>(853)</b>	<b>(720)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Net increase in cash and cash equivalents	25	52	10
Cash and cash equivalents at beginning of the year	25	346	283
Currency translation (losses)/gains on cash and cash equivalents	25	(11)	53
<b>Cash and cash equivalents at end of the year</b>	15, 25	<b>387</b>	<b>346</b>

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

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

3. Includes stamp duty and brokers' commission.

## RECONCILIATION OF FREE CASH FLOW

For the year ended 30 September 2017

	2017 £M	2016 £M
<b>Net cash from operating activities</b>	<b>1,633</b>	<b>1,424</b>
Purchase of intangible assets	(339)	(267)
Purchase of property, plant and equipment	(376)	(311)
Proceeds from sale of property, plant and equipment/intangible assets	32	29
Purchase of other investments	(8)	(6)
Proceeds from sale of other investments	–	2
Dividends received from joint ventures and associates	39	33
Interest received	6	4
Dividends paid to non-controlling interests	(13)	(9)
<b>Free cash flow</b>	<b>974</b>	<b>899</b>
Add back: Europe & Japan cash restructuring costs in the year	–	9
<b>Underlying free cash flow</b>	<b>974</b>	<b>908</b>

# GROUP ACCOUNTING POLICIES

For the year ended 30 September 2017

## INTRODUCTION

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

### A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that are effective for the year ended 30 September 2017. They have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 33.

In the current financial year, the Group has adopted:

Amendments to IAS 1 – Disclosure initiative

Amendments to IAS 16 and 38 – Clarification of acceptable methods of depreciation and amortisation

Amendments to IAS 27 – Equity method in separate financial statements

Amendments to IFRS 11 – Accounting for acquisitions of interests of joint operations

Annual improvements to IFRS Standards – 2012–2014 Cycle

In addition, there have been other minor improvements to existing IFRS and interpretations that are effective for the first time in the current financial year which have been adopted by the Group with no impact on its consolidated results or financial position.

### ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 30 September 2017. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

IFRS 9 – Financial instruments

IFRS 15 – Revenue from contracts with customers

IFRS 16 – Leases

Amendments to IAS 7 – Disclosure initiative

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses

Amendments to IFRS 2 – Classification and measurement of share-based payment transactions

IFRIC 22 – Foreign currency transactions and advance consideration

IFRIC 23 – Uncertainty over income tax treatments

Annual improvements to IFRS Standards 2014–2016 Cycle

Certain new standards, amendments and interpretations of existing standards have been published that, once they have been endorsed by the European Union, will be mandatory for the Group's accounting period beginning on 1 October 2017 or for later periods. The Group has not yet adopted these pronouncements and does not currently believe that the adoption of these standards, amendments or interpretations would have a material effect on the consolidated results or financial position of the Group unless stated otherwise.

IFRS 9 'Financial instruments' removes the multiple classification and measurement models for financial assets required by IAS 39 and introduces a model that has only two classification categories: amortised cost and fair value. Classification is driven by the business model for managing the financial assets and the contractual cash flow characteristics of those assets. The accounting and presentation for financial liabilities and for derecognising financial instruments is relocated from IAS 39 without any significant changes. The Group plans to apply IFRS 9 for the year ended 30 September 2019.

IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The primary change relates to provisioning for potential future credit losses on financial assets. The Group does not consider it likely that the impact of these changes will have any major impact on the Group's financial statements.

IFRS 15 'Revenue from contracts with customers' (which has been endorsed by the European Union) and subsequent amendments 'Clarifications to IFRS 15' (which have not yet been endorsed by the European Union) set out the requirements for recognising revenue and costs from contracts with customers. The Group has made good progress in training staff and identifying areas of divergence with current practice and, based on this assessment, believes that IFRS 15 will not have a significant impact on the timing and recognition of revenue, operating profit margin or net assets. It is anticipated that there will be some impact on the Group as a result of changes in the disclosure of some client contract intangibles, variable payments to, and variable receipts from clients and the accounting for sales commissions. The Group plans to apply IFRS 15 for the year ended 30 September 2019 with a retrospective approach to the restatement of comparatives.

IFRS 16 'Leases' (not yet endorsed by the European Union) will primarily change lease accounting for lessees. A single model will be applied by lessees to all leases with the option not to recognise leases of small value or with terms less than 12 months. It is expected that, as a result of this standard, most operating leases will be included on the balance sheet as an asset, together with the corresponding lease liability. A Group-wide project team has been established and is currently assessing the application of this new standard.

### B CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

## GROUP ACCOUNTING POLICIES CONTINUED

For the year ended 30 September 2017

results may differ from these estimates. The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below.

### TAXES

The Group has operations in around 50 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 estimates and judgement to reflect a variety of factors; these include 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 liabilities of whether additional taxes will be due 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.

### GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M on page 116. The recoverable amounts of cash-generating units (CGU) have been determined based on value in use calculations. These calculations 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 are set out in note 8 to the consolidated financial statements.

### POST EMPLOYMENT BENEFITS

Defined benefit schemes are reappraised annually by independent actuaries based on actuarial assumptions. Judgement is required in determining these actuarial assumptions. The principal assumptions used are described in note 20 to the financial statements.

## C BASIS OF CONSOLIDATION

The consolidated financial statements consist of the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's share of interests in joint arrangements and associates made up to 30 September each year.

## D SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

### SUBSIDIARIES

Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing control.

### ASSOCIATES

Associates are undertakings that are not subsidiaries or joint arrangements over which the Group has significant influence and can participate in financial and operating policy decisions. Investments in associated undertakings are accounted for using the equity method. The consolidated income statement includes the Group's share of the profit after tax of the associated undertakings. Investments in associates include goodwill identified on acquisition and are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value.

### JOINT ARRANGEMENTS

Joint arrangements are entities in which the Group holds an interest on a long term basis and which are jointly controlled by the Group and other entities under a contractual agreement. The Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the agreements covering the joint operations. Joint ventures are accounted for using the equity method.

### ADJUSTMENTS

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

### ACQUISITIONS AND DISPOSALS

The results of subsidiaries, associates or joint arrangements acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### INTRA-GROUP TRANSACTIONS

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group subsidiary transacts with a joint operation of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant joint operation.

## E ACQUISITIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued.

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale which are recognised and measured at fair value less costs to sell.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

## F FOREIGN CURRENCY

The consolidated financial statements are prepared in sterling, which is the functional currency of the Company.

In preparing the financial statements of individual companies within the Group, transactions in currencies other than the companies' functional currency are recorded at the rates of exchange on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates on the balance sheet date. Gains and losses arising on retranslation are included in the consolidated income statement for the period, except for where they arise on items taken directly to other comprehensive income, in which case they are also recognised in the consolidated statement of comprehensive income.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward currency contracts (see section Q for the Group's accounting policies in respect of derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations (expressed in their functional currencies, being the currency of the primary economic environment in which each entity operates) are translated at the exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## G REVENUE AND CONTRACT COSTS

Revenue is recognised in the period in which food and support services are provided in accordance with the terms of the contractual relationships with third parties. Revenue represents the fair value of the consideration received or receivable for food and support services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Where the consideration receivable under client contracts is variable, for example where performance bonuses exist, revenue is recognised when it is virtually certain that applicable thresholds will be met.

Clients engage us to provide our food and support services at their locations. Depending on the type of client and service, we are paid either by our client and/or directly by the consumer to whom we have been provided access by our client. In certain cases, clients engage us to provide food and support services in a single multi service contract. We recognise revenue for each separate performance obligation in respect of food and support services as these are provided. We typically use three types of client contracts.

## MANAGEMENT FEE CONTRACTS

Revenue from management fee contracts is based on cost incurred and invoiced to the client together with the agreed management fee. Revenue from management fee contracts is recognised when food and support services are provided.

## FIXED PRICE CONTRACTS

Fixed price contracts include both contracts where: a) the client pays a fixed amount for an agreed range of services provided over a fixed period; and b) contracts where revenue is a fixed price per meal but varies depending on volume. Revenue from fixed price contracts is recognised as services are provided.

## PROFIT AND LOSS CONTRACTS

Revenue from profit and loss contracts comprises the total of sales made to consumers, typically with little or no subsidy charged to clients. Under these contracts, the Group has significant discretion to manage pricing and costs. Revenue is recognised when food and support services are provided to consumers.

## CONTRACT COSTS

Costs incurred during the bidding period, prior to a contract being awarded, are expensed to the income statement. Costs incurred in securing the contract after preferred bidder status has been obtained are generally expensed as incurred, unless they fulfil the conditions for capitalisation as an asset.

Commissions paid to the sales force on winning or retaining client contracts are charged to the income statement as incurred.

As part of client contracts, the Group sometimes makes payments to clients, such as concession rentals, vending commissions and profit share. These payments are accounted for as operating costs when incurred.

## H REBATES AND OTHER AMOUNTS RECEIVED FROM SUPPLIERS

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume related rebates.

Income from value and volume related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period.

Rebates received in respect of plant and equipment are deducted from the costs capitalised and are recognised in the consolidated income statement in line with depreciation.

Agreed discounts relating to inventories are credited to the income statement within cost of sales as the goods are consumed.

Rebates relating to items purchased, but still held at the balance sheet date, are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

## I BORROWING COSTS

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.



## GROUP ACCOUNTING POLICIES CONTINUED

For the year ended 30 September 2017

### J OPERATING PROFIT

Operating profit is stated after the share of profit after tax of joint ventures and associates, and before finance costs.

### K EXCEPTIONAL ITEMS

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### L TAX

Income tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement except where it relates to items taken directly to the consolidated statement of comprehensive income or equity, in which case it is recognised in the consolidated statement of comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted in respect of that period by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

### M INTANGIBLE ASSETS

#### GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary, associate or joint arrangement at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.

Goodwill is allocated to CGUs for the purpose of impairment testing. A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business and relates to the total business for a country.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment is immediately recognised in the consolidated income statement and an impairment loss recognised for goodwill is not subsequently reversed.

On disposal, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent gain or loss on disposal.

#### OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are capitalised at cost or, if acquired as part of a business combination, are capitalised at fair value as at the date of the acquisition. Amortisation is charged on a straight line basis over the expected useful lives of the assets. Internally generated intangible assets are not capitalised. Intangible assets are reviewed for impairment annually.

The following rates applied for the Group:

- client contract related intangible assets: the life of the contract
- computer software: 20% to 33% per annum

The typical life of contract related intangibles is two to 20 years.

Client contracts related intangible assets arising on acquisition of a business are recognised at fair value and amortised over the life of the contract, including the renewal period where appropriate. Underlying operating profit and underlying earnings per share exclude the amortisation of contract related intangible assets arising on acquisition of a business as it is not considered to be relevant to the underlying trading performance of the Group.

## N PROPERTY, PLANT AND EQUIPMENT

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. Freehold land is not depreciated. All other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation is provided on a straight line basis over the anticipated useful lives of the assets.

The following rates applied for the Group:

- Freehold buildings and long term leasehold property: 2% per annum
- Short term leasehold property: the life of the lease
- Plant and machinery: 8% to 33% per annum
- Fixtures and fittings: 8% to 33% per annum

When assets are sold, the difference between sales proceeds and the carrying amount of the assets is dealt with in the consolidated income statement.

## O ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less costs to sell.

## P INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using either the weighted average price or the first in, first out method as appropriate to the circumstances. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## Q FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities, including derivative financial instruments, denominated in foreign currencies are translated into sterling at period end exchange rates. Gains and losses are dealt with through the consolidated income statement, unless hedge accounting treatment is available.

### INVESTMENTS

The Group's available for sale investments are measured at fair value or, where fair value cannot be reliably measured, at cost less impairment. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

## BORROWINGS

Borrowings are recognised initially at the proceeds received, net of direct issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of direct issue costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method, unless included in a fair value hedge.

## EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge the risks associated with changes in foreign exchange rates and interest rates. Such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors that provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; or net investment hedges where they hedge the exposure to foreign currency arising from a net investment in foreign operations.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement. Where the adjustment is to the carrying amount of a hedged interest bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity.

When fair value hedge accounting is discontinued, any adjustment to the carrying amount of the hedged item for the designated risk for interest bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted.

The Group's policy is to convert a proportion of its floating rate debt to fixed rates, using floating to fixed interest rate swaps. The Group may designate these as cash flow hedges of interest rate risk whenever the hedge accounting conditions are met.

## GROUP ACCOUNTING POLICIES CONTINUED

For the year ended 30 September 2017

The Group may also designate foreign currency firm commitments as cash flow hedges of foreign currency risk whenever the hedge accounting are met.

The portion of the gain or loss arising from the cash flow hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

For cash flow hedges of firm commitments which result in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are recognised in the initial measurement of the acquisition cost and carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example when the future sale occurs.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement in the period.

The Group uses foreign currency denominated debt, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The Group designates these as a hedge of its net investments in foreign operations and recognises the gains or losses on the retranslation of the borrowings in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Exchange differences arising from a monetary item receivable from or payable to a Group foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Gains and losses accumulated in other comprehensive income are recycled through the consolidated income statement on disposal of the foreign operation.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement in the period.

### R LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Payments made under operating leases are charged to income on a straight line basis over the period of the lease. Any incentives to enter into an operating lease are also spread on a straight line basis over the lease term.

### S PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material.

### T EMPLOYEE BENEFITS PENSION OBLIGATIONS

The Group operates two types of pension plans:

- defined contribution plans where the Group makes contributions to a member's pension plan but has no further payment obligations once the contributions have been paid
- defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules

For defined contribution plans, the Group pays contributions to separately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement when they are due. Payments made to state managed schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

For defined benefit plans, the calculation of the defined benefit obligation is performed at least once a year by a qualified actuary using the projected unit credit method. The consolidated balance sheet reflects a net asset or net liability for each defined benefit pension plan. The liability recognised is the present value of the defined benefit obligation discounted using the yields on high quality corporate bonds less the fair value of plan assets (at bid price), if any. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Group considers that it has an unconditional right to a refund.

For the UK defined benefit plan, the Group considers that it has an unconditional right to a refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. The Group's judgement is that these trustee rights do not prevent the Group from recognising an unconditional right to a refund and therefore a surplus.

The IASB was considering an amendment to pension accounting (IFRIC 14) as published in an exposure draft in June 2015. The Group will reconsider the implications of any amendment to IFRIC 14 and IAS 19 if and when it has been finalised and published.

Net interest income (if a plan is in surplus) or interest expense (if a plan is in deficit) is calculated using yields on high quality corporate bonds and recognised in the consolidated income statement. A current service cost is also recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period.

Remeasurements, which include gains and losses as a result of changes in actuarial assumptions, the effect of the limit on the plan surplus (if any) and returns on plan assets (other than amounts included in net interest) are recognised in the consolidated statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### **OTHER POST EMPLOYMENT OBLIGATIONS**

Some Group companies provide other post employment benefits. The expected costs of these benefits are accrued over the period of employment using a similar basis to that used for defined benefit pension schemes. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

#### **SHARE-BASED PAYMENTS**

The Group issues equity-settled share-based payments to certain employees. In accordance with the requirements of IFRS 2 'Share-based payments'.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

#### **HOLIDAY PAY**

Paid holidays and similar entitlements are regarded as an employee benefit and are charged to the consolidated income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not taken.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

### 1 SEGMENTAL REPORTING

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and our Rest of World markets. These, together with Central activities, comprise the Group's reportable segments. Each segment derives revenue from delivery of food and support services.

	GEOGRAPHICAL SEGMENTS			TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	
<b>REVENUE<sup>1</sup></b>				
<b>YEAR ENDED 30 SEPTEMBER 2017</b>				
<b>Combined sales of Group and share of equity accounted joint ventures<sup>2,3</sup></b>	<b>13,322</b>	<b>5,911</b>	<b>3,619</b>	<b>22,852</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>				
Combined sales of Group and share of equity accounted joint ventures <sup>2,3</sup>	11,198	5,458	3,215	19,871

	SECTORS					TOTAL £M
	BUSINESS & INDUSTRY £M	EDUCATION £M	HEALTHCARE & SENIORS £M	SPORTS & LEISURE £M	DEFENCE, OFFSHORE & REMOTE £M	
<b>REVENUE<sup>1</sup></b>						
<b>YEAR ENDED 30 SEPTEMBER 2017</b>						
<b>Combined sales of Group and share of equity accounted joint ventures<sup>2,3</sup></b>	<b>8,847</b>	<b>4,124</b>	<b>5,264</b>	<b>2,820</b>	<b>1,797</b>	<b>22,852</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>						
Combined sales of Group and share of equity accounted joint ventures <sup>2,3</sup>	7,602	3,621	4,472	2,416	1,760	19,871

1. There is no inter-segmental trading.

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

3. Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £2,070 million (2016: £1,981 million). Underlying revenue from external customers arising in the US was £12,449 million (2016: £10,350 million). Underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £20,782 million (2016: £17,890 million).

## 1 SEGMENTAL REPORTING CONTINUED

	GEOGRAPHICAL SEGMENTS				TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
Underlying operating profit before joint ventures and associates	1,079	428	224	(70)	1,661
Add: Share of profit before tax of joint ventures	3	–	24	–	27
<b>Regional underlying operating profit<sup>1</sup></b>	<b>1,082</b>	<b>428</b>	<b>248</b>	<b>(70)</b>	<b>1,688</b>
Add: Share of profit of associates	12	5	–	–	17
<b>Group underlying operating profit<sup>1</sup></b>	<b>1,094</b>	<b>433</b>	<b>248</b>	<b>(70)</b>	<b>1,705</b>
Less: Amortisation of intangibles arising on acquisition	(27)	(9)	(3)	–	(39)
Less: Acquisition transaction costs	–	(1)	–	(1)	(2)
Add: Adjustment to contingent consideration on acquisition	3	–	–	–	3
Less: Tax on share of profit of joint ventures	1	–	(3)	–	(2)
<b>Total operating profit</b>	<b>1,071</b>	<b>423</b>	<b>242</b>	<b>(71)</b>	<b>1,665</b>
Profit on disposal of businesses					–
Finance income					6
Finance costs					(120)
Other financing items					9
<b>Profit before tax</b>					<b>1,560</b>
Income tax expense					(389)
<b>Profit for the year</b>					<b>1,171</b>
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Underlying operating profit before joint ventures and associates and Emerging Markets and Offshore & Remote restructuring	906	394	194	(65)	1,429
Add: Share of profit before tax of joint ventures	2	–	24	–	26
<b>Regional underlying operating profit<sup>1</sup></b>	<b>908</b>	<b>394</b>	<b>218</b>	<b>(65)</b>	<b>1,455</b>
Add: Share of profit of associates	10	5	–	–	15
Less: Emerging Markets and Offshore & Remote restructuring <sup>2</sup>	–	(6)	(19)	–	(25)
<b>Group underlying operating profit<sup>1</sup></b>	<b>918</b>	<b>393</b>	<b>199</b>	<b>(65)</b>	<b>1,445</b>
Less: Amortisation of intangibles arising on acquisition	(20)	(8)	(3)	–	(31)
Less: Acquisition transaction costs	(1)	(1)	–	–	(2)
Add: Adjustment to contingent consideration on acquisition	4	(4)	–	–	–
Less: Share-based payments expense – non-controlling interest call option	–	–	(1)	–	(1)
Less: Tax on share of profit of joint ventures	–	–	(2)	–	(2)
<b>Total operating profit</b>	<b>901</b>	<b>380</b>	<b>193</b>	<b>(65)</b>	<b>1,409</b>
Loss on disposal of businesses					1
Finance income					4
Finance costs					(105)
Other financing items					12
<b>Profit before tax</b>					<b>1,321</b>
Income tax expense					(319)
<b>Profit for the year</b>					<b>1,002</b>

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

2. The Group incurred charges resulting from the restructuring in response to the downturn in the trading conditions of its Emerging Markets and Offshore & Remote activities, which included headcount reductions of £22 million and other expenses of £3 million.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 1 SEGMENTAL REPORTING CONTINUED

	GEOGRAPHICAL SEGMENTS				UNALLOCATED		TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	CURRENT AND DEFERRED TAX £M	NET DEBT £M	
<b>BALANCE SHEET</b>							
<b>AS AT 30 SEPTEMBER 2017</b>							
Total assets	5,095	3,545	1,312	279	218	530	10,979
Total liabilities	(2,351)	(1,337)	(670)	(250)	(275)	(3,976)	(8,859)
<b>Net assets/(liabilities)</b>	<b>2,744</b>	<b>2,208</b>	<b>642</b>	<b>29</b>	<b>(57)</b>	<b>(3,446)</b>	<b>2,120</b>
Total assets include:							
<b>Interests in joint ventures and associates</b>	<b>83</b>	<b>69</b>	<b>68</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>220</b>
<b>Non-current assets<sup>1</sup></b>	<b>3,639</b>	<b>2,540</b>	<b>733</b>	<b>265</b>	<b>132</b>	<b>139</b>	<b>7,448</b>
<b>AS AT 30 SEPTEMBER 2016</b>							
Total assets	4,926	3,475	1,366	261	226	532	10,786
Total liabilities	(2,346)	(1,327)	(695)	(257)	(235)	(3,406)	(8,266)
<b>Net assets/(liabilities)</b>	<b>2,580</b>	<b>2,148</b>	<b>671</b>	<b>4</b>	<b>(9)</b>	<b>(2,874)</b>	<b>2,520</b>
Total assets include:							
<b>Interests in joint ventures and associates</b>	<b>79</b>	<b>70</b>	<b>73</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>222</b>
<b>Non-current assets<sup>1</sup></b>	<b>3,528</b>	<b>2,532</b>	<b>778</b>	<b>247</b>	<b>149</b>	<b>184</b>	<b>7,418</b>

1. Non-current assets located in the UK, the Group's country of domicile, were £1,795 million (2016: £1,774 million). Non-current assets located in the US were £3,362 million (2016: £3,250 million). Non-current assets located in all foreign countries in which the Group holds assets were £5,653 million (2016: £5,067 million).

**1 SEGMENTAL REPORTING CONTINUED**

	GEOGRAPHICAL SEGMENTS				TOTAL £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	
<b>ADDITIONS TO OTHER INTANGIBLE ASSETS</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
<b>Total additions to other intangible assets</b>	<b>293</b>	<b>33</b>	<b>9</b>	<b>4</b>	<b>339</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Total additions to other intangible assets	224	31	10	2	267
<b>ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
<b>Total additions to property, plant and equipment<sup>1</sup></b>	<b>171</b>	<b>117</b>	<b>56</b>	<b>–</b>	<b>344</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Total additions to property, plant and equipment <sup>1</sup>	146	114	35	1	296
<b>AMORTISATION OF OTHER INTANGIBLE ASSETS</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
<b>Total amortisation of other intangible assets<sup>2</sup></b>	<b>213</b>	<b>32</b>	<b>13</b>	<b>2</b>	<b>260</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Total amortisation of other intangible assets <sup>2</sup>	170	29	11	–	210
<b>DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
<b>Total depreciation of property, plant and equipment</b>	<b>119</b>	<b>99</b>	<b>43</b>	<b>1</b>	<b>262</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Total depreciation of property, plant and equipment	94	87	34	1	216
<b>OTHER NON-CASH EXPENSES</b>					
<b>YEAR ENDED 30 SEPTEMBER 2017</b>					
<b>Total other non-cash expenses<sup>3</sup></b>	<b>9</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>21</b>
<b>YEAR ENDED 30 SEPTEMBER 2016</b>					
Total other non-cash expenses <sup>3</sup>	5	4	4	3	16

1. Includes leased assets of £3 million (2016: £2 million).

2. Including the amortisation of intangibles arising on acquisition.

3. Other non-cash expenses are mainly comprised of share-based payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 2 OPERATING COSTS

	2017 £M	2016 £M
<b>OPERATING COSTS</b>		
<b>COST OF FOOD AND MATERIALS:</b>		
Cost of inventories consumed	6,514	5,742
<b>LABOUR COSTS:</b>		
Employee remuneration (note 3)	10,236	8,909
<b>OVERHEADS:</b>		
Commissions and fees paid to clients	991	851
Depreciation – owned property, plant and equipment	259	213
Depreciation – leased property, plant and equipment	3	3
Amortisation – owned intangible assets	221	179
Property lease rentals	100	81
Other occupancy rentals – minimum guaranteed rent	75	53
Other occupancy rentals – rent in excess of minimum guaranteed rent	11	9
Other asset rentals	92	79
Audit and non-audit services (see below)	5	5
Emerging Markets and Offshore & Remote restructuring <sup>1</sup>	–	25
Other expenses	2,400	2,052
Operating costs before costs relating to acquisitions	20,907	18,201
Amortisation – intangible assets arising on acquisition	39	31
Acquisition transaction costs	2	2
Adjustment to contingent consideration on acquisition	(3)	–
Share-based payments expense – non-controlling interest call option	–	1
<b>Total</b>	<b>20,945</b>	<b>18,235</b>

1. Emerging Markets and Offshore & Remote restructuring comprised £22 million of employee remuneration and other expenses of £3 million.

	2017 £M	2016 £M
<b>AUDIT AND NON-AUDIT SERVICES</b>		
<b>AUDIT SERVICES</b>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.5	0.5
Fees payable to the Company's auditor and their associates for other services to the Group: the audit of the Company's subsidiaries and joint arrangements pursuant to legislation	4.4	3.9
Total audit fees	4.9	4.4
<b>NON-AUDIT SERVICES</b>		
Audit related assurance	0.3	0.1
Taxation compliance	–	0.2
Other tax advisory	–	0.2
Other services	–	0.2
Total non-audit fees	0.3	0.7
<b>TOTAL AUDIT AND NON-AUDIT SERVICES</b>		
Total audit and non-audit services	5.2	5.1

### 3 EMPLOYEES

<b>AVERAGE NUMBER OF EMPLOYEES, INCLUDING DIRECTORS AND PART-TIME EMPLOYEES</b>	<b>2017 NUMBER</b>	<b>2016 NUMBER</b>
North America	<b>260,729</b>	237,281
Europe	<b>177,413</b>	160,133
Rest of World	<b>149,970</b>	129,766
<b>Total</b>	<b>588,112</b>	527,180

<b>AGGREGATE REMUNERATION OF ALL EMPLOYEES INCLUDING DIRECTORS<sup>1</sup></b>	<b>2017 £M</b>	<b>2016 £M</b>
Wages and salaries	<b>8,603</b>	7,543
Social security costs	<b>1,470</b>	1,234
Share-based payments	<b>21</b>	16
Pension costs – defined contribution plans	<b>123</b>	100
Pension costs – defined benefit plans	<b>19</b>	16
<b>Total</b>	<b>10,236</b>	8,909

1. Aggregate remuneration of all employees including directors excludes Emerging Markets and Offshore & Remote restructuring costs of £nil (2016: £22 million).

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge within finance costs of £1 million (2016: £1 million).

The remuneration of directors and key management personnel<sup>1</sup> is set out below. Additional information on directors' and key management remuneration, share options, long term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' Remuneration Report on pages 68 to 94 and forms part of these accounts.

<b>REMUNERATION OF KEY PERSONNEL</b>	<b>2017 £M</b>	<b>2016 £M</b>
Salaries	<b>6.5</b>	6.4
Other short term employee remuneration	<b>6.1</b>	6.8
Share-based payments	<b>6.1</b>	2.9
Pension salary supplement	<b>1.6</b>	1.7
<b>Total</b>	<b>20.3</b>	17.8

1. Key management personnel is defined as the Board of Directors and the individuals who made up the Executive Board from time to time during the year, more details of which can be found on pages 47 to 49 and 53.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 4 FINANCE INCOME, COSTS AND OTHER FINANCING ITEMS

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

	2017 £M	2016 £M
<b>FINANCE INCOME AND COSTS</b>		
<b>FINANCE INCOME</b>		
Bank interest	6	4
Total finance income	6	4
<b>FINANCE COSTS</b>		
Interest on bank loans and overdrafts	13	16
Interest on other loans	98	82
Finance lease interest	1	1
Interest on bank loans, overdrafts, other loans and finance leases	112	99
Unwinding of discount on provisions	7	5
Interest on net post employment benefit obligations (note 20)	1	1
Total finance costs	120	105
<b>ANALYSIS OF FINANCE COSTS BY DEFINED IAS 39<sup>1</sup> CATEGORY</b>		
Fair value through profit or loss (unhedged derivatives)	4	4
Derivatives in a fair value hedge relationship	(19)	(19)
Derivatives in a net investment hedge relationship	11	3
Other financial liabilities	116	111
Interest on bank loans, overdrafts, other loans and finance leases	112	99
Fair value through profit or loss (unwinding of discount on provisions)	7	5
Outside of the scope of IAS 39 (net pension scheme charge)	1	1
Total finance costs	120	105

1. IAS 39 'Financial instruments: recognition and measurement'.

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

### FAIR VALUE MEASUREMENT

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

	2017 £M	2016 £M
<b>FINANCING RELATED (GAINS)/LOSSES</b>		
<b>HEDGE ACCOUNTING INEFFECTIVENESS</b>		
Unrealised net gains on unhedged derivative financial instruments <sup>1</sup>	(6)	(1)
Unrealised net losses/(gains) on derivative financial instruments in a designated fair value hedge <sup>2</sup>	70	(45)
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	(71)	39
Total hedge accounting ineffectiveness	(7)	(7)
<b>CHANGE IN THE FAIR VALUE OF INVESTMENTS</b>		
Gain from the changes in the fair value of investments <sup>1,3</sup>	(2)	(3)
<b>OTHER FINANCING RELATED GAINS</b>		
Gain from other financing related activity	-	(2)

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

2. Categorized as 'fair value through profit or loss' (IAS 39).

3. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations included in note 20.

## 5 TAX

### RECOGNISED IN THE INCOME STATEMENT:

INCOME TAX EXPENSE	2017 £M	2016 £M
<b>CURRENT TAX</b>		
Current year	424	315
Adjustment in respect of prior years	(47)	(38)
Current tax expense	377	277
<b>DEFERRED TAX</b>		
Current year	7	27
Impact of changes in statutory tax rates	2	6
Adjustment in respect of prior years	3	9
Deferred tax expense	12	42
<b>TOTAL INCOME TAX</b>		
Income tax expense	389	319

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19.5% (2016: 20%). The impact of changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes have resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The income tax expense effects of the adjustments between statutory and underlying results are shown in note 32. There is no difference between the statutory and underlying cash tax paid of £357 million (2016: tax paid of £263 million was adjusted for the cash tax effect of amortisation of intangibles arising on acquisition of £1 million and hedge accounting ineffectiveness of £1 million giving underlying cash tax paid of £261 million).

	2017 £M	2016 £M
Profit before tax	1,560	1,321
Notional income tax expense at the effective UK statutory rate of 19.5% (2016: 20%) on profit before tax	304	264
Effect of different tax rates of subsidiaries operating in other jurisdictions	177	159
Impact of changes in statutory tax rates	2	6
Permanent differences	(45)	(83)
Impact of share-based payments	1	1
Tax on profit of associates and equity accounted joint ventures	(3)	(2)
Losses and other temporary differences not previously recognised	(4)	1
Unrelieved current year tax losses	1	2
Prior year items	(44)	(29)
Income tax expense	389	319

Permanent differences primarily relate to the internal financing that is in place to ensure the Group's overseas businesses are appropriately capitalised. These intra-group arrangements provide a benefit to the Group's effective tax rate. Prior year items relate to the reassessment of prior year tax estimates and the resolution of open items.

The global nature of the Group's operations gives rise to several factors which could affect the future tax rate. These include the mix of profits, changes to statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling. In addition, the future tax charge could be affected by the impact of acquisitions, disposals or other restructurings and the resolution of open issues with tax authorities.

Since the year end, changes in UK tax legislation have introduced restrictions on the extent to which interest income on certain inter-company financing structures is exempt from tax which, if not mitigated, would increase the Group's effective tax rate in 2018 by around 1%.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 5 TAX CONTINUED

The Group has various ongoing routine tax audits and in addition a number of open tax returns which may become subject to audit by tax authorities in the territories in which we operate. The Group has recognised potential liabilities in respect of uncertain tax positions as described in section B of the Group accounting policies, 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.

Tax uncertainties and associated risks are increasing for all multi national groups as a consequence of changes to local and international tax rules, for example the OECD's Base Erosion & Profit Shifting project and other possible changes such as tax reform in the USA. In these circumstances 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 does not currently anticipate any material changes to the amounts recorded in respect of these liabilities as at 30 September 2017.

#### TAX (CHARGED)/CREDITED TO OTHER COMPREHENSIVE INCOME

	2017 £M	2016 £M
Current and deferred tax (charge)/credit on actuarial and other movements on post employment benefits	(7)	8
Current and deferred tax charge on foreign exchange movements	(1)	(2)
Tax (charges)/credits on items recognised in other comprehensive income	(8)	6

#### TAX CREDITED TO EQUITY

	2017 £M	2016 £M
Current and deferred tax credit in respect of share-based payments	3	9
Tax credit on items recognised in equity	3	9

#### MOVEMENT IN NET DEFERRED TAX ASSET/(LIABILITY)

	TAX DEPRECIATION £M	INTANGIBLES £M	PENSIONS AND POST EMPLOYMENT BENEFITS £M	TAX LOSSES £M	NET SELF-FUNDED INSURANCE PROVISIONS £M	NET SHORT TERM TEMPORARY DIFFERENCES £M	TOTAL £M
At 1 October 2015	7	(208)	118	21	71	145	154
(Charge)/credit to income	(24)	(14)	7	(11)	7	(7)	(42)
Charge to equity/other comprehensive income	-	-	1	-	-	3	4
Business acquisitions	-	(31)	-	7	-	4	(20)
Other movements	(2)	1	-	-	-	(4)	(5)
Exchange adjustment	(6)	(41)	24	2	12	27	18
At 30 September 2016	(25)	(293)	150	19	90	168	109
(Charge)/credit to income	(27)	(5)	11	(1)	-	10	(12)
Credit to equity/other comprehensive income	-	-	(7)	-	-	(1)	(8)
Business acquisitions	-	(3)	-	(2)	-	2	(3)
Other movements	(3)	1	-	1	-	2	1
Exchange adjustment	3	8	(6)	-	(3)	(5)	(3)
At 30 September 2017	(52)	(292)	148	17	87	176	84

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

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

#### NET DEFERRED TAX BALANCE

	2017 £M	2016 £M
Deferred tax assets	132	149
Deferred tax liabilities	(48)	(40)
Net deferred tax asset	84	109

Deferred tax assets have not been recognised in respect of tax losses of £54 million (2016: £101 million) and other temporary differences of £23 million (2016: £16 million). Of the total tax losses, £44 million (2016: £92 million) will expire at various dates between 2018 and 2022. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling £452 million (2016: £416 million) because it is able to control the timing of reversal of these differences. It is probable that no reversal will take place in the foreseeable future.

## 6 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the period. The underlying earnings per share figures have been calculated based on earnings excluding the effect of the amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, non-controlling interest put options, gains and losses on disposal of businesses, hedge accounting ineffectiveness, change in fair value of investments and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

	2017 ATTRIBUTABLE PROFIT £M	2016 ATTRIBUTABLE PROFIT £M
<b>ATTRIBUTABLE PROFIT</b>		
Profit for the year attributable to equity shareholders of the Company	1,161	992
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	25	20
Acquisition transaction costs	2	2
Adjustment to contingent consideration on acquisition	(3)	–
Gain on disposal of businesses	–	(1)
Gain from other financing items including hedge accounting ineffectiveness	(8)	(10)
Non-controlling interest call options	–	1
Underlying attributable profit for the year from operations	1,177	1,004
<b>AVERAGE NUMBER OF SHARES (MILLIONS OF ORDINARY SHARES)</b>		
Average number of shares for basic earnings per share	1,628	1,643
Dilutive share options	1	3
Average number of shares for diluted earnings per share	1,629	1,646
<b>BASIC EARNINGS PER SHARE</b>		
From operations	71.3	60.4
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	1.5	1.2
Acquisition transaction costs	0.1	0.1
Adjustment to contingent consideration on acquisition	(0.2)	–
Gain on disposal of businesses	–	(0.1)
Gain from other financing items including hedge accounting ineffectiveness	(0.4)	(0.6)
Non-controlling interest call options	–	0.1
From underlying operations	72.3	61.1
<b>DILUTED EARNINGS PER SHARE</b>		
From operations	71.3	60.3
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	1.5	1.2
Acquisition transaction costs	0.1	0.1
Adjustment to contingent consideration on acquisition	(0.2)	–
Gain on disposal of businesses	–	(0.1)
Gain from other financing items including hedge accounting ineffectiveness	(0.4)	(0.6)
Non-controlling interest call options	–	0.1
From underlying operations	72.3	61.0

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 7 DIVIDENDS

A final dividend in respect of 2017 of 22.3 pence per share, £353 million in aggregate<sup>1</sup>, has been proposed, giving a total dividend in respect of 2017 of 33.5 pence per share (2016: 31.7 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 8 February 2018 and has not been included as a liability in these financial statements.

	2017		2016	
	DIVIDENDS PER SHARE PENCE	£M	DIVIDENDS PER SHARE PENCE	£M
<b>DIVIDENDS ON ORDINARY SHARES</b>				
Amounts recognised as distributions to equity shareholders during the year:				
Final 2015	–	–	19.6	322
Interim 2016	–	–	10.6	174
Final 2016	<b>21.1</b>	<b>347</b>	–	–
Interim 2017	<b>11.2</b>	<b>184</b>	–	–
Total dividends	<b>32.3</b>	<b>531</b>	30.2	496

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2017 (1,582 million shares).

In addition, a special dividend of 61.0 pence per share, £1,003 million in aggregate, was paid to shareholders on 17 July 2017 as described in more detail in note 21.

### 8 GOODWILL

During the year the Group made a number of acquisitions. See note 23 for more details.

	£M
<b>GOODWILL</b>	
<b>COST</b>	
At 1 October 2015	4,022
Additions	105
Currency adjustment	448
At 30 September 2016	4,575
Additions	<b>43</b>
Disposals	<b>(14)</b>
Currency adjustment	<b>(94)</b>
At 30 September 2017	<b>4,510</b>
<b>IMPAIRMENT</b>	
At 1 October 2015	484
Currency adjustment	41
At 30 September 2016	525
Currency adjustment	<b>(9)</b>
At 30 September 2017	<b>516</b>
At 30 September 2016	4,050
At 30 September 2017	<b>3,994</b>

## 8 GOODWILL CONTINUED

### GOODWILL BY BUSINESS SEGMENT

	2017 €M	2016 €M
USA	1,605	1,619
Canada	149	156
Total North America	1,754	1,775
UK	1,440	1,440
Rest of Europe	419	420
Total Europe	1,859	1,860
Japan	150	172
Rest of Rest of World	231	243
Total Rest of World	381	415
Total	3,994	4,050

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

	2017		2016	
	RESIDUAL GROWTH RATES	PRE-TAX DISCOUNT RATES	RESIDUAL GROWTH RATES	PRE-TAX DISCOUNT RATES
USA	1.8%	10.1%	1.9%	10.2%
Canada	1.7%	8.7%	1.8%	9.0%
UK	2.3%	8.6%	2.0%	8.5%
Rest of Europe	0.8–7.1%	7.6–16.7%	1.2–5.8%	7.9–19.7%
Rest of World	1.2–5.5%	7.5–16.1%	0.8–5.6%	7.5–16.1%

Given the current economic climate, a sensitivity analysis has been performed in assessing recoverable amounts of goodwill for all CGUs. This has been based on changes in key assumptions considered to be reasonably possible by management. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 9 OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS	CLIENT CONTRACT AND OTHER INTANGIBLES			TOTAL £M
	COMPUTER SOFTWARE £M	ARISING ON ACQUISITION <sup>1</sup> £M	OTHER <sup>2</sup> £M	
<b>COST</b>				
At 1 October 2015	254	521	1,128	1,903
Additions	27	–	240	267
Disposals	(10)	(3)	(82)	(95)
Business acquisitions	–	101	1	102
Reclassified	2	–	(4)	(2)
Currency adjustment	41	86	190	317
At 30 September 2016	314	705	1,473	2,492
Additions	<b>38</b>	–	<b>301</b>	<b>339</b>
Disposals	<b>(20)</b>	<b>(7)</b>	<b>(128)</b>	<b>(155)</b>
Business acquisitions	–	<b>44</b>	–	<b>44</b>
Business disposals	–	<b>(5)</b>	–	<b>(5)</b>
Reclassified	<b>(1)</b>	<b>1</b>	<b>(7)</b>	<b>(7)</b>
Currency adjustment	<b>(6)</b>	<b>(21)</b>	<b>(47)</b>	<b>(74)</b>
At 30 September 2017	<b>325</b>	<b>717</b>	<b>1,592</b>	<b>2,634</b>
<b>AMORTISATION</b>				
At 1 October 2015	184	103	486	773
Charge for the year	24	31	155	210
Disposals	(10)	(3)	(76)	(89)
Reclassified	–	–	(4)	(4)
Currency adjustment	28	21	84	133
At 30 September 2016	226	152	645	1,023
Charge for the year	<b>28</b>	<b>39</b>	<b>193</b>	<b>260</b>
Disposals	<b>(19)</b>	<b>(7)</b>	<b>(118)</b>	<b>(144)</b>
Business disposals	–	<b>(2)</b>	–	<b>(2)</b>
Reclassified	<b>(2)</b>	–	<b>(3)</b>	<b>(5)</b>
Currency adjustment	<b>(4)</b>	<b>(6)</b>	<b>(25)</b>	<b>(35)</b>
At 30 September 2017	<b>229</b>	<b>176</b>	<b>692</b>	<b>1,097</b>
<b>NET BOOK VALUE</b>				
At 30 September 2016	88	553	828	1,469
At 30 September 2017	<b>96</b>	<b>541</b>	<b>900</b>	<b>1,537</b>

1. The intangible assets arising on acquisition are all client contract related.

2. Client contract related intangible assets, other than those arising on acquisition, generally arise when the Group funds equipment for clients which is subsequently used in the fulfilment of the contract.

## 10 PROPERTY, PLANT AND EQUIPMENT

<b>PROPERTY, PLANT AND EQUIPMENT</b>	LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	FIXTURES AND FITTINGS £M	TOTAL £M
<b>COST</b>				
At 1 October 2015	339	1,100	565	2,004
Additions <sup>1</sup>	26	178	92	296
Disposals	(19)	(87)	(41)	(147)
Business disposals – other activities	–	(3)	–	(3)
Business acquisitions	–	3	1	4
Reclassified	4	8	1	13
Currency adjustment	72	186	81	339
At 30 September 2016	422	1,385	699	2,506
Additions <sup>1</sup>	<b>33</b>	<b>203</b>	<b>108</b>	<b>344</b>
Disposals	<b>(35)</b>	<b>(126)</b>	<b>(68)</b>	<b>(229)</b>
Business disposals – other activities	–	<b>(12)</b>	<b>(1)</b>	<b>(13)</b>
Business acquisitions	–	<b>2</b>	–	<b>2</b>
Reclassified	<b>(19)</b>	<b>21</b>	<b>7</b>	<b>9</b>
Currency adjustment	<b>(9)</b>	<b>(27)</b>	<b>(9)</b>	<b>(45)</b>
At 30 September 2017	<b>392</b>	<b>1,446</b>	<b>736</b>	<b>2,574</b>
<b>DEPRECIATION</b>				
At 1 October 2015	177	704	359	1,240
Charge for the year	21	135	60	216
Disposals	(13)	(74)	(37)	(124)
Business disposals – other activities	–	(2)	–	(2)
Reclassified	–	15	(1)	14
Currency adjustment	35	121	53	209
At 30 September 2016	220	899	434	1,553
Charge for the year	<b>26</b>	<b>163</b>	<b>73</b>	<b>262</b>
Disposals	<b>(30)</b>	<b>(118)</b>	<b>(60)</b>	<b>(208)</b>
Business disposals – other activities	–	<b>(7)</b>	<b>(1)</b>	<b>(8)</b>
Reclassified	<b>7</b>	<b>(5)</b>	<b>2</b>	<b>4</b>
Currency adjustment	<b>(5)</b>	<b>(19)</b>	<b>(5)</b>	<b>(29)</b>
At 30 September 2017	<b>218</b>	<b>913</b>	<b>443</b>	<b>1,574</b>
<b>NET BOOK VALUE</b>				
At 30 September 2016	202	486	265	953
At 30 September 2017	<b>174</b>	<b>533</b>	<b>293</b>	<b>1,000</b>

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

<b>PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASES</b>	LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	FIXTURES AND FITTINGS £M	TOTAL £M
At 30 September 2016	6	7	1	14
At 30 September 2017	<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>

1. Includes leased assets at a net book value of £3 million (2016: £2 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 11 INTERESTS IN JOINT VENTURES AND ASSOCIATES

Significant interests in associates are:

<b>ASSOCIATES</b>		<b>2017 OWNERSHIP<sup>1</sup></b>	<b>2016 OWNERSHIP<sup>1</sup></b>
Twickenham Experience Limited <sup>2</sup>	England & Wales	<b>16%</b>	16%
Oval Events Limited <sup>3</sup>	England & Wales	<b>37.5%</b>	37.5%
AEG Facilities, LLC <sup>4</sup>	USA	<b>49%</b>	49%
Thompson Hospitality Services, LLC <sup>4</sup>	USA	<b>49%</b>	49%

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

Significant interests in joint ventures are:

<b>JOINT VENTURES</b>		<b>2017 OWNERSHIP<sup>1</sup></b>	<b>2016 OWNERSHIP<sup>1</sup></b>
Quadrant Catering Ltd <sup>2</sup>	England & Wales	<b>49%</b>	49%
ADNH-Compass Middle East LLC	United Arab Emirates	<b>50%</b>	50%
Express Support Services Limitada <sup>2</sup>	Angola	<b>49%</b>	49%

1. % ownership is of the ordinary share capital.
2. 49% ownership entitles Compass Group to 50% of voting rights.

None of these investments is held directly by the ultimate Parent Company. All joint ventures provide food and/or support services in their respective countries of incorporation and make their accounts up to 30 September, except for Express Support Services Limitada which is to 31 December. All holdings are in the ordinary shares of the respective joint venture company.

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

<b>INTERESTS IN JOINT VENTURES AND ASSOCIATES</b>	<b>2017 £M</b>	<b>2016 £M</b>
<b>NET BOOK VALUE</b>		
At 1 October	<b>222</b>	203
Additions	<b>5</b>	2
Share of profits less losses (net of tax)	<b>42</b>	39
Dividends declared	<b>(39)</b>	(34)
Currency and other adjustments	<b>(10)</b>	12
At 30 September	<b>220</b>	222
<b>COMPRISED OF</b>		
Interests in associates	<b>141</b>	137
Interests in joint ventures	<b>79</b>	85
Total	<b>220</b>	222

## 11 INTERESTS IN JOINT VENTURES AND ASSOCIATES CONTINUED

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

	2017			2016		
	ASSOCIATES £M	JOINT VENTURES £M	TOTAL £M	ASSOCIATES £M	JOINT VENTURES £M	TOTAL £M
<b>ASSOCIATES AND JOINT VENTURES</b>						
<b>SHARE OF REVENUE AND PROFITS</b>						
Revenue	78	284	362	52	266	318
Expenses/taxation <sup>1</sup>	(61)	(259)	(320)	(37)	(242)	(279)
Profit after tax for the year	17	25	42	15	24	39
<b>SHARE OF NET ASSETS</b>						
Non-current assets	133	43	176	132	44	176
Current assets	69	127	196	69	134	203
Non-current liabilities	(8)	(11)	(19)	(7)	(10)	(17)
Current liabilities	(53)	(80)	(133)	(57)	(83)	(140)
Net assets	141	79	220	137	85	222
<b>SHARE OF CONTINGENT LIABILITIES</b>						
Contingent liabilities	–	(32)	(32)	–	(26)	(26)

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

## 12 OTHER INVESTMENTS

	2017 £M	2016 £M
<b>NET BOOK VALUE</b>		
At 1 October	50	38
Additions	8	6
Disposals	–	(2)
Currency and other adjustments	5	8
At 30 September	63	50
<b>COMPRISED OF</b>		
Other investments <sup>1,2</sup>	17	12
Life insurance policies and mutual fund investments <sup>1,2,3</sup>	46	38
Total	63	50

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

2. As per the fair value hierarchies explained in note 17, other investments are Level 1 and the life insurance policies are Level 2.

3. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations as set out in note 20.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 13 TRADE AND OTHER RECEIVABLES

	2017			2016		
	CURRENT £M	NON-CURRENT £M	TOTAL £M	CURRENT £M	NON-CURRENT £M	TOTAL £M
<b>TRADE AND OTHER RECEIVABLES</b>						
<b>NET BOOK VALUE</b>						
At 1 October	2,596	97	2,693	2,115	71	2,186
Net movement	167	11	178	124	12	136
Currency adjustment	(62)	(4)	(66)	357	14	371
At 30 September	2,701	104	2,805	2,596	97	2,693
<b>COMPRISED OF</b>						
Trade receivables	1,993	–	1,993	1,994	–	1,994
Provision for impairment of trade receivables	(73)	–	(73)	(60)	–	(60)
Net trade receivables <sup>1</sup>	1,920	–	1,920	1,934	–	1,934
Other receivables	393	120	513	330	111	441
Provision for impairment of other receivables	(2)	(24)	(26)	(6)	(22)	(28)
Net other receivables	391	96	487	324	89	413
Accrued income	249	5	254	168	4	172
Prepayments	132	3	135	153	4	157
Amounts owed by associates, joint ventures and related parties <sup>1</sup>	9	–	9	17	–	17
Trade and other receivables	2,701	104	2,805	2,596	97	2,693

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

#### TRADE RECEIVABLES

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

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

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

Trade receivable days at 30 September 2017 were 41 days (2016: 41 days) on a constant currency basis.

### 13 TRADE AND OTHER RECEIVABLES CONTINUED

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

	2017					TOTAL £M
	NOT YET DUE £M	0-3 MONTHS OVERDUE £M	3-6 MONTHS OVERDUE £M	6-12 MONTHS OVERDUE £M	OVER 12 MONTHS OVERDUE £M	
<b>TRADE RECEIVABLES</b>						
Gross trade receivables	1,549	322	50	24	48	1,993
Provision for impairment of trade receivables	–	(7)	(15)	(19)	(32)	(73)
Net trade receivables	1,549	315	35	5	16	1,920

	2016					TOTAL £M
	NOT YET DUE £M	0-3 MONTHS OVERDUE £M	3-6 MONTHS OVERDUE £M	6-12 MONTHS OVERDUE £M	OVER 12 MONTHS OVERDUE £M	
<b>TRADE RECEIVABLES</b>						
Gross trade receivables	1,577	316	41	21	39	1,994
Provision for impairment of trade receivables	(6)	(10)	(13)	(8)	(23)	(60)
Net trade receivables	1,571	306	28	13	16	1,934

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

	2017			2016		
	TRADE £M	OTHER £M	TOTAL £M	TRADE £M	OTHER £M	TOTAL £M
<b>PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES</b>						
At 1 October	60	28	88	57	24	81
Charged to income statement	40	–	40	26	–	26
Credited to income statement	(2)	(2)	(4)	(21)	(1)	(22)
Utilised	(23)	–	(23)	(10)	–	(10)
Reclassified	(1)	–	(1)	2	(2)	–
Currency adjustment	(1)	–	(1)	6	7	13
At 30 September	73	26	99	60	28	88

At 30 September 2017, trade receivables of £371 million (2016: £363 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all amounts not provided for are considered to be recoverable.

### 14 INVENTORIES

	2017 £M	2016 £M
<b>INVENTORIES</b>		
<b>NET BOOK VALUE</b>		
At 1 October	346	282
Business acquisitions	5	3
Net movement	11	13
Currency adjustment	(9)	49
At 30 September	353	347

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 15 CASH AND CASH EQUIVALENTS

<b>CASH AND CASH EQUIVALENTS</b>	<b>2017 £M</b>	<b>2016 £M</b>
Cash at bank and in hand	<b>335</b>	291
Short term bank deposits	<b>52</b>	55
Cash and cash equivalents <sup>1</sup>	<b>387</b>	346

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

<b>CASH AND CASH EQUIVALENTS BY CURRENCY</b>	<b>2017 £M</b>	<b>2016 £M</b>
Sterling	<b>84</b>	87
US Dollar	<b>45</b>	53
Euro	<b>41</b>	35
Japanese Yen	<b>7</b>	7
Other	<b>210</b>	164
Cash and cash equivalents	<b>387</b>	346

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 17. The book value of cash and cash equivalents represents the maximum credit exposure.

### MASTER NETTING OR SIMILAR AGREEMENTS

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

	<b>2017</b>		
	<b>GROSS £M</b>	<b>OFFSET £M</b>	<b>NET £M</b>
Cash and cash equivalents	<b>489</b>	<b>(102)</b>	<b>387</b>
Bank overdrafts	<b>(110)</b>	<b>102</b>	<b>(8)</b>
	<b>2016</b>		
	<b>GROSS £M</b>	<b>OFFSET £M</b>	<b>NET £M</b>
Cash and cash equivalents	444	(98)	346
Bank overdrafts	(125)	98	(27)

## 16 SHORT TERM AND LONG TERM BORROWINGS

SHORT TERM AND LONG TERM BORROWINGS	2017			2016		
	CURRENT £M	NON-CURRENT £M	TOTAL £M	CURRENT £M	NON-CURRENT £M	TOTAL £M
Bank overdrafts	8	–	8	27	–	27
Bank loans	8	303	311	255	287	542
Loan notes	–	1,440	1,440	35	1,525	1,560
Bonds	–	2,190	2,190	–	1,253	1,253
Borrowings (excluding finance leases)	16	3,933	3,949	317	3,065	3,382
Finance leases	4	6	10	4	10	14
Borrowings (including finance leases) <sup>1</sup>	20	3,939	3,959	321	3,075	3,396

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

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

All amounts due under bonds, loan notes and bank facilities are shown net of unamortised issue costs. Additionally, the Group adjusts the carrying values of the bonds and loan notes that are designated in effective fair value hedge relationships, for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged.

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

LOAN NOTES	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
Sterling private placement	£35m	Oct 2016	7.55%	–	35
US\$ private placement	\$250m	Oct 2018	3.31%	186	196
US\$ private placement	\$200m	Sep 2020	3.09%	149	154
US\$ private placement	\$398m	Oct 2021	3.98%	297	306
US\$ private placement	\$352m	Oct 2023	4.12%	274	301
US\$ private placement	\$100m	Dec 2024	3.54%	75	107
US\$ private placement	\$300m	Sep 2025	3.81%	236	231
US\$ private placement	\$300m	Dec 2026	3.64%	223	230
				1,440	1,560

€750 million 2024 and £300 million 2029 Eurobonds were issued during the year.

BONDS	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
Euro Eurobond	€600m	Feb 2019	3.13%	539	537
Euro Eurobond	€500m	Jan 2023	1.88%	464	469
Euro Eurobond	€750m	Jul 2024	0.63%	654	–
Sterling Eurobond	£250m	Jun 2026	3.85%	249	247
Sterling Eurobond	£300m	Jul 2029	2.00%	284	–
				2,190	1,253

Excluding the impact of unamortised fees, the Group borrowed £228 million under a new 2019 Bilateral loan arrangement and £75 million under the 2021 Syndicated facility during the year.

BANK LOANS	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
Bilateral loans	£250m	Dec 2016	floating	–	250
Bilateral loans	\$365m	Sep 2018	floating	–	281
Bilateral loans	£228m	Dec 2019	floating	227	–
Syndicated facility	£75m	Jun 2021	floating	75	–
Other bank loans	Various	Various	floating	9	11
				311	542



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 16 SHORT TERM AND LONG TERM BORROWINGS CONTINUED

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

	2017 £M	2016 £M
<b>MATURITY PROFILE OF BORROWINGS (EXCLUDING FINANCE LEASES)</b>		
Within 1 year, or on demand	16	317
Between 1 and 2 years	726	287
Between 2 and 3 years	376	733
Between 3 and 4 years	75	154
Between 4 and 5 years	297	–
In more than 5 years	2,459	1,891
Borrowings (excluding finance leases)	3,949	3,382

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

	2017		2016	
	CARRYING VALUE £M	FAIR VALUE £M	CARRYING VALUE £M	FAIR VALUE £M
<b>CARRYING VALUE AND FAIR VALUE OF BORROWINGS (EXCLUDING FINANCE LEASES)</b>				
Bank overdrafts	8	8	27	27
Bank loans	311	311	542	542
Loan notes	1,440	1,482	1,560	1,601
€600m Eurobond Feb 2019	539	551	537	557
€500m Eurobond Jan 2023	464	473	469	475
€750m Eurobond Jul 2024	654	655	–	–
£250m Eurobond Jun 2026	249	284	247	300
£300m Eurobond Jul 2029	284	290	–	–
Bonds	2,190	2,253	1,253	1,332
Borrowings (excluding finance leases)	3,949	4,054	3,382	3,502

	2017		2016	
	GROSS £M	PRESENT VALUE £M	GROSS £M	PRESENT VALUE £M
<b>GROSS AND PRESENT VALUE OF FINANCE LEASE LIABILITIES</b>				
Finance lease payments falling due:				
Within 1 year	5	4	5	4
In 1 to 5 years	6	6	9	9
In more than 5 years	–	–	1	1
	11	10	15	14
Less: Future finance charges	(1)	–	(1)	–
Gross and present value of finance lease liabilities	10	10	14	14

	2017			2016		
	BORROWINGS £M	FINANCE LEASES £M	TOTAL £M	BORROWINGS £M	FINANCE LEASES £M	TOTAL £M
<b>BORROWINGS BY CURRENCY</b>						
Sterling	835	–	835	534	–	534
US Dollar	1,443	1	1,444	1,813	–	1,813
Euro	1,659	6	1,665	1,013	10	1,023
Other	12	3	15	22	4	26
Total	3,949	10	3,959	3,382	14	3,396

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

	2017 £M	2016 £M
<b>UNDRAWN COMMITTED FACILITIES</b>		
Expiring between 1 and 5 years	1,387	1,000

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

### CAPITAL RISK MANAGEMENT

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 15; debt, which includes the borrowings disclosed in note 16; and equity attributable to equity shareholders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

### FINANCIAL MANAGEMENT

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

### LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due.

The Group finances its operations through cash generated by the business and borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The maturity profile of the Group's principal borrowings at 30 September 2017 shows that the average period to maturity is 5.6 years (2016: 5.0 years). Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised committed banking facilities to maintain a level of headroom in line with Board approval. The level of undrawn facilities is set out in note 16.

### FOREIGN CURRENCY RISK

The Group's policy is to match as far as possible its principal projected cash flows by currency to 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 executed which, when applied to the actual currency liabilities, 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 less than, or equate to, the net investment in overseas operations, these exchange rate variances 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 from the impact of such differences through the matching of cash flows to currency borrowings.

The Group has minimal exposure to the foreign currency risk of trade receivables and payables as operations within individual countries have little cross-border activity which might give rise to translation risks on trade related balances.

The main currencies to which the Group's reported sterling financial position is exposed are the US dollar, the euro and the Japanese yen. As set out above, the Group seeks to hedge its exposure to currencies by matching debt in currency against the cash flows generated by the Group's foreign operations in such currencies.

The effect on profit after tax and equity of a 10% strengthening of sterling against these currencies on the Group's financial statements is shown below. A 10% weakening would result in an equal and opposite impact on the profit or loss and equity of the Group. This table shows the impact on the financial instruments in place on 30 September and has been prepared on the basis that the 10% change in exchange rates occurred on the first day of the financial year and applied consistently throughout the year.

	2017			2016		
	AGAINST US DOLLAR £M	AGAINST EURO £M	AGAINST JAPANESE YEN £M	AGAINST US DOLLAR £M	AGAINST EURO £M	AGAINST JAPANESE YEN £M
<b>FINANCIAL INSTRUMENTS: IMPACT OF STERLING STRENGTHENING BY 10%</b>						
Increase in profit for the year (after tax)	–	5	–	–	5	–
Increase in total equity	182	88	12	193	29	15

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

#### INTEREST RATE RISK

As set out above, the Group has effective borrowings in a number of currencies and the 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, reducing to 60% fixed for the second year and 40% fixed for the third year.

The sensitivity analysis given below has been determined based on the derivative and non-derivative financial instruments the Group had in place at the year end date only.

The effect of a 1% increase in interest rates prevailing at the balance sheet date on the Group's cash and cash equivalents and debt subject to variable rates of interest at the balance sheet date would be a loss of £8 million (2016: loss of £10 million) over the course of a year. A similar 1% decrease in interest rates would result in an equal and opposite effect over the course of a year.

INTEREST RATE SENSITIVITY ANALYSIS	2017					
	STERLING £M	US DOLLAR £M	EURO £M	JAPANESE YEN £M	OTHER £M	TOTAL £M
Increase in interest rate	+1%	+1%	+1%	+1%	+1%	n/a
Floating rate exposure – cash/(debt)	162	(829)	(97)	(91)	(184)	(1,039)
Increase/(decrease) in profit for the year (after tax)	1	(6)	(1)	(1)	(1)	(8)

INTEREST RATE SENSITIVITY ANALYSIS	2016					
	STERLING £M	US DOLLAR £M	EURO £M	JAPANESE YEN £M	OTHER £M	TOTAL £M
Increase in interest rate	+1%	+1%	+1%	+1%	+1%	n/a
Floating rate exposure – cash/(debt)	224	(1,133)	(125)	(81)	(167)	(1,282)
Increase/(decrease) in profit for the year (after tax)	2	(9)	(1)	(1)	(1)	(10)

These changes are the result of the exposure to interest rates from the Group's floating rate cash and cash equivalents and debt. The sensitivity gains and losses given above may vary because cash flows vary throughout the year and interest rate and currency hedging may be implemented after the year end date in order to comply with the treasury policies outlined above.

#### CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's policy is to minimise its exposure to credit risk from the failure of any single financial counterparty by spreading its risk across a portfolio of financial counterparties and managing the aggregate exposure to each against certain pre-agreed limits. Exposure to counterparty credit risk arising from deposits and derivatives (including forward currency contracts and cross currency swaps) is concentrated at the Group centre where possible. Financial counterparty limits are derived from the long and short term credit ratings, and the balance sheet strength of the financial counterparty. All financial counterparties are required to have a minimum short term credit rating from Moody's of P-1 or equivalent from another recognised agency. To reduce credit exposures, the Group has ISDA Master Agreements with all of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances. Exposure to counterparty credit risk arising from deposits and derivatives is centralised at the Group centre. The maximum exposure to credit risk resulting from financial activities, without considering netting arrangements, is equal to the carrying value of the Group's financial assets.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 13.

#### HEDGING ACTIVITIES

The following section describes the derivative financial instruments the Group uses to apply the interest rate and foreign currency hedging strategies described above.

#### FAIR VALUE HEDGES

The Group uses interest rate swaps to hedge the fair value of fixed rate borrowings. These instruments swap the fixed interest payable on the borrowings into floating interest rates and hedge the fair value of the borrowings against changes in interest rates. These interest rate swaps all qualify for fair value hedge accounting as defined by IAS 39, some of which are designated in fair value hedge relationships where appropriate.

## 17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

### NET INVESTMENT HEDGES

The Group uses foreign currency denominated debt, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The carrying value of debt and derivatives in a net investment hedge was £1,712 million (2016: £2,079 million). A foreign exchange gain of £116 million (2016: loss of £507 million) relating to the net investment hedges has been netted off within currency translation differences as presented on the consolidated statement of comprehensive income.

### DERIVATIVES NOT IN A HEDGING RELATIONSHIP

The Group has a number of derivative financial instruments that do not meet the criteria for hedge accounting. These include some interest rate swaps and some forward currency contracts used for interest and cash management.

### FAIR VALUE MEASUREMENT

All derivative financial instruments are shown at fair value in the consolidated balance sheet. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data. There were no transfers between levels in either the year ended 30 September 2017 or 2016. The fair values of derivative financial instruments represent the maximum credit exposure.

DERIVATIVE FINANCIAL INSTRUMENTS	2017				2016			
	CURRENT ASSETS £M	NON-CURRENT ASSETS £M	CURRENT LIABILITIES £M	NON-CURRENT LIABILITIES £M	CURRENT ASSETS £M	NON-CURRENT ASSETS £M	CURRENT LIABILITIES £M	NON-CURRENT LIABILITIES £M
<b>INTEREST RATE SWAPS:</b>								
Fair value hedges <sup>1</sup>	–	35	–	(11)	–	74	–	–
Not in a hedging relationship <sup>2</sup>	1	2	–	–	–	–	(3)	(1)
<b>CROSS CURRENCY SWAPS</b>								
Fair value hedges <sup>1</sup>	–	102	–	–	–	110	–	–
<b>FORWARD CURRENCY CONTRACTS</b>								
Net investment hedges <sup>3</sup>	3	–	(5)	–	2	–	(6)	–
Not in a hedging relationship <sup>2</sup>	–	–	(1)	–	–	–	–	–
<b>Total</b>	<b>4</b>	<b>139</b>	<b>(6)</b>	<b>(11)</b>	<b>2</b>	<b>184</b>	<b>(9)</b>	<b>(1)</b>

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

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

3. Derivatives that are designated and effective in net investment hedges carried at fair value (IAS 39).

NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY	2017		2016	
	FAIR VALUE SWAPS £M	CASH FLOW SWAPS £M	FAIR VALUE SWAPS £M	CASH FLOW SWAPS £M
Sterling	300	–	20	–
US Dollar	672	559	694	485
Euro	837	115	823	34
Japanese Yen	–	124	–	141
Other	–	362	–	351
<b>Total</b>	<b>1,809</b>	<b>1,160</b>	<b>1,537</b>	<b>1,011</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

EFFECTIVE CURRENCY DENOMINATION OF BORROWINGS AFTER THE EFFECT OF DERIVATIVES	2017			2016		
	GROSS BORROWINGS £M	FORWARD CURRENCY CONTRACTS <sup>1</sup> £M	EFFECTIVE CURRENCY OF BORROWINGS £M	GROSS BORROWINGS £M	FORWARD CURRENCY CONTRACTS <sup>1</sup> £M	EFFECTIVE CURRENCY OF BORROWINGS £M
Sterling	835	(680)	155	534	(409)	125
US Dollar	1,444	631	2,075	1,813	373	2,186
Euro	1,665	(626)	1,039	1,023	(635)	388
Japanese Yen	–	132	132	–	156	156
Other	15	490	505	26	476	502
Total	3,959	(53)	3,906	3,396	(39)	3,357

1. Includes cross currency contracts.

GROSS DEBT MATURITY ANALYSIS	2017						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>FIXED INTEREST</b>							
£300m Eurobond 2029	–	–	–	–	–	296	296
£250m Eurobond 2026	–	–	–	–	–	249	249
€750m Eurobond 2024	–	–	–	–	–	654	654
€500m Eurobond 2023	–	–	–	–	–	439	439
€600m Eurobond 2019	–	527	–	–	–	–	527
US private placements	–	185	149	–	297	783	1,414
Total fixed interest	–	712	149	–	297	2,421	3,579
Cash flow swaps (fixed leg)	672	488	–	–	–	–	1,160
Fair value swaps (fixed leg)	–	(582)	–	–	–	(1,227)	(1,809)
Fixed interest liability	672	618	149	–	297	1,194	2,930
<b>FLOATING INTEREST</b>							
Bank loans	8	1	227	75	–	–	311
Overdrafts	8	–	–	–	–	–	8
Total floating interest	16	1	227	75	–	–	319
Cash flow swaps (floating leg)	(672)	(488)	–	–	–	–	(1,160)
Fair value swaps (floating leg)	–	582	–	–	–	1,227	1,809
Floating interest (asset)/liability	(656)	95	227	75	–	1,227	968
<b>OTHER</b>							
Finance lease obligations	4	3	1	1	1	–	10
Fair value adjustments to borrowings <sup>1</sup>	–	13	–	–	–	38	51
Other liability	4	16	1	1	1	38	61
Gross debt excluding derivatives	20	729	377	76	298	2,459	3,959
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>2</sup>	(1)	(36)	–	–	–	(92)	(129)
Forward currency contracts <sup>1</sup>	3	–	–	–	–	–	3
Gross debt	22	693	377	76	298	2,367	3,833

1. Non-cash item (changes in the value of this non-cash item are reported via the currency translation (losses)/gains caption in note 25).

2. Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 25).

**17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED**

	2017						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>PRINCIPAL AND INTEREST MATURITY</b>							
Gross debt	22	693	377	76	298	2,367	3,833
Less: Overdrafts	(8)	–	–	–	–	–	(8)
Less: Fees and premiums capitalised on issue	(2)	(2)	(2)	(2)	(2)	(8)	(18)
Less: Other non-cash items	(2)	23	–	–	–	54	75
Repayment of principal	10	714	375	74	296	2,413	3,882
Interest cash flows on debt and derivatives (settled net)	100	102	82	73	67	197	621
Settlement of forward currency contracts – payable leg	(628)	–	–	–	–	–	(628)
Settlement of forward currency contracts – receivable leg	622	–	–	–	–	–	622
Repayment of principal and interest	104	816	457	147	363	2,610	4,497
	2016						
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	TOTAL £M
<b>GROSS DEBT MATURITY ANALYSIS</b>							
<b>FIXED INTEREST</b>							
£250m Eurobond 2026	–	–	–	–	–	247	247
€500m Eurobond 2023	–	–	–	–	–	431	431
€500m Eurobond 2019	–	–	517	–	–	–	517
US private placements	35	–	192	154	–	1,115	1,496
Total fixed interest	35	–	709	154	–	1,793	2,691
Cash flow swaps (fixed leg)	649	362	–	–	–	–	1,011
Fair value swaps (fixed leg)	(20)	–	(582)	–	–	(935)	(1,537)
Fixed interest liability	664	362	127	154	–	858	2,165
<b>FLOATING INTEREST</b>							
Bank loans	255	287	–	–	–	–	542
Overdrafts	27	–	–	–	–	–	27
Total floating interest	282	287	–	–	–	–	569
Cash flow swaps (floating leg)	(649)	(362)	–	–	–	–	(1,011)
Fair value swaps (floating leg)	20	–	582	–	–	935	1,537
Floating interest (asset)/liability	(347)	(75)	582	–	–	935	1,095
<b>OTHER</b>							
Finance lease obligations	4	3	3	2	1	1	14
Fair value adjustments to borrowings <sup>1</sup>	–	–	24	–	–	98	122
Other liability	4	3	27	2	1	99	136
Gross debt excluding derivatives	321	290	736	156	1	1,892	3,396
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>2</sup>	3	(3)	(35)	–	–	(145)	(180)
Forward currency contracts <sup>1</sup>	4	–	–	–	–	–	4
Gross debt	328	287	701	156	1	1,747	3,220

1. Non-cash item (changes in the value of this non-cash item are reported via the currency translation gains/(losses) caption in note 25).

2. Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 25).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 17 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

	2016						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>PRINCIPAL AND INTEREST MATURITY</b>							
Gross debt	328	287	701	156	1	1,747	3,220
Less: Overdrafts	(27)	–	–	–	–	–	(27)
Less: Fees and premiums capitalised on issue	(1)	(1)	(1)	(1)	(1)	(3)	(8)
Less: Other non-cash items	(7)	3	11	–	–	47	54
Repayment of principal	293	289	711	155	–	1,791	3,239
Interest cash flows on debt and derivatives (settled net)	100	95	90	70	63	204	622
Settlement of forward currency contracts – payable leg	(538)	–	–	–	–	–	(538)
Settlement of forward currency contracts – receivable leg	532	–	–	–	–	–	532
Repayment of principal and interest	387	384	801	225	63	1,995	3,855

### 18 TRADE AND OTHER PAYABLES

	2017			2016		
	CURRENT £M	NON-CURRENT £M	TOTAL £M	CURRENT £M	NON-CURRENT £M	TOTAL £M
<b>TRADE AND OTHER PAYABLES</b>						
<b>NET BOOK VALUE</b>						
At 1 October	<b>3,851</b>	<b>86</b>	<b>3,937</b>	3,157	84	3,241
Net movement	<b>126</b>	<b>2</b>	<b>128</b>	185	(13)	172
Reclassification	–	<b>2</b>	<b>2</b>	–	–	–
Currency adjustment	<b>(85)</b>	<b>(3)</b>	<b>(88)</b>	509	15	524
At 30 September	<b>3,892</b>	<b>87</b>	<b>3,979</b>	3,851	86	3,937
<b>COMPRISED OF</b>						
Trade payables	<b>1,807</b>	–	<b>1,807</b>	1,707	–	1,707
Social security and other taxes	<b>351</b>	–	<b>351</b>	343	–	343
Other payables	<b>138</b>	<b>43</b>	<b>181</b>	172	32	204
Contingent and deferred consideration on acquisitions <sup>1</sup>	<b>22</b>	<b>12</b>	<b>34</b>	29	17	46
Accruals <sup>2</sup>	<b>1,188</b>	<b>32</b>	<b>1,220</b>	1,214	37	1,251
Deferred income	<b>381</b>	–	<b>381</b>	380	–	380
Capital creditors	<b>5</b>	–	<b>5</b>	6	–	6
Trade and other payables	<b>3,892</b>	<b>87</b>	<b>3,979</b>	3,851	86	3,937

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

2. Of this balance £535 million (2016: £577 million) is categorised as 'other financial liabilities' (IAS 39).

	2017						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>TRADE AND OTHER PAYABLES</b>							
Total trade and other payables	<b>3,892</b>	<b>45</b>	<b>8</b>	<b>4</b>	<b>17</b>	<b>13</b>	<b>3,979</b>

	2016						TOTAL £M
	LESS THAN 1 YEAR £M	BETWEEN 1 AND 2 YEARS £M	BETWEEN 2 AND 3 YEARS £M	BETWEEN 3 AND 4 YEARS £M	BETWEEN 4 AND 5 YEARS £M	OVER 5 YEARS £M	
<b>TRADE AND OTHER PAYABLES</b>							
Total trade and other payables	3,851	34	21	7	4	20	3,937

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

Trade payable days at 30 September 2017 were 79 days (2016: 75 days) on a constant currency basis.

## 19 PROVISIONS

PROVISIONS	WORKERS' COMPENSATION AND SIMILAR OBLIGATIONS £M	PROVISIONS IN RESPECT OF DISCONTINUED AND DISPOSED BUSINESSES £M	ONEROUS CONTRACTS £M	LEGAL AND OTHER CLAIMS £M	REORGANISATION £M	OTHER £M	TOTAL £M
At 1 October 2015	242	45	20	44	14	22	387
Expenditure in the year	(48)	(1)	(9)	(9)	(5)	(7)	(79)
Charged to income statement	53	3	4	2	9	5	76
Credited to income statement	(8)	–	(2)	(2)	(4)	–	(16)
Business acquisitions	–	–	–	2	–	–	2
Business disposals	–	–	–	–	(1)	–	(1)
Unwinding of discount on provisions	4	–	1	–	–	–	5
Currency adjustment	35	–	1	7	3	3	49
At 30 September 2016	278	47	15	44	16	23	423
Reclassified <sup>1</sup>	–	–	2	(7)	(1)	6	–
Expenditure in the year	(83)	(1)	(6)	(4)	(12)	(7)	(113)
Charged to income statement	84	–	4	7	3	8	106
Credited to income statement	(6)	–	(1)	(9)	–	(4)	(20)
Business acquisitions	–	–	–	1	–	–	1
Unwinding of discount on provisions	6	–	1	–	–	–	7
Currency adjustment	(9)	–	–	–	–	3	(6)
At 30 September 2017	270	46	15	32	6	29	398

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

PROVISIONS	2017 £M	2016 £M
Current	132	143
Non-current	266	280
Total provisions	398	423

The provision for workers' compensation and similar obligations relates mainly to the potential settlement of claims by employees in the US for medical benefits and lost wages associated with injuries incurred in the course of their employment, and is essentially long term in nature.

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

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

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

Provisions for reorganisation include provision for redundancy costs and these are expected to be utilised over the next year.

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

Provisions are discounted to present value where the effect is material using the discount rate applicable to the liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 20 POST EMPLOYMENT BENEFIT OBLIGATIONS

#### PENSION SCHEMES OPERATED

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 2% to 46% of pensionable salaries (2016: 2% to 39%).

The contributions payable for defined contribution schemes of £123 million (2016: £100 million) have been fully expensed against profits in the current year.

#### UK SCHEMES

Within the UK there are now three main arrangements: the Compass Retirement Income Savings Plan (CRISP), the Compass Group Pension Plan (the Plan), and the Company's stakeholder pension arrangement.

CRISP was launched on 1 February 2003. This has been the main vehicle for pension provision for new joiners in the UK since that date but existing members of the Plan had continued to accrue benefits under those arrangements up until 5 April 2010. CRISP is a contracted-in money purchase arrangement whereby the Group will match employee contributions up to 6% of pay (minimum 3%). Within CRISP a new defined contribution section was established from April 2006 known as the Compass Higher Income Plan (CHIP). Senior employees who contribute to CRISP will receive an additional employer-only contribution into CHIP. The amount of contribution and eligibility for CHIP are decided annually at the Company's discretion. The payment towards CHIP may be taken in part, or in whole, as a cash supplement instead of a pension contribution.

CRISP has a corporate trustee. The Chairman, Nigel Palmer, is a former employee of the Group. The other five trustee directors are UK based employees of the Group, two of whom have been nominated by CRISP members.

The Plan is a defined benefit arrangement. Those UK employees who transfer from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006 are eligible to join the Plan, which has otherwise been closed to new entrants since 2003. Such transferees enter into the GAD sections of the Plan and are known as 'GAD members'. The Plan closed to future accrual for all existing members, other than GAD members, on 5 April 2010. The affected members were offered membership of CRISP from 6 April 2010.

The Plan is operated on a pre-funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. A formal actuarial valuation of the Plan is carried out every three years. The most recent valuation of the Plan took place as at 5 April 2016. At the valuation date the total market value of the assets of the Plan was £2,233 million which represented 105% of the benefits that had accrued to members after allowing for expected future increases in earnings.

By agreement with the trustees, the Company is no longer funding any deficit. The next triennial valuation is due to be completed as at 5 April 2019. The Plan is reappraised annually by independent actuaries in accordance with IAS 19 'Employee benefits' requirements.

The Plan has a corporate trustee. The Chairman, Phillip Whittome, and one other trustee director are independent. There are six trustee directors, four of whom are either UK based employees or former employees of the Group, three of whom have been nominated by Plan members.

The Company became subject to the Pensions Automatic Enrolment Regulations for its workforce in the UK on 1 November 2012 but, in accordance with the Regulations, deferred its staging date for automatic enrolment of eligible employees until 2 January 2013. Both the Plan and CRISP are compliant arrangements under these Regulations and have been registered as such.

Employees who are not already in one of these registered compliant arrangements have been automatically enrolled into the National Employment Savings Trust (NEST). The Company considers that NEST provides the right type of service, communication material and investment choice for our employees and that it has the capabilities to support a company as large and diverse as Compass.

## 20 POST EMPLOYMENT OBLIGATIONS CONTINUED

### OVERSEAS SCHEMES

In the USA, the defined benefit plans are frozen to new participants and the main vehicle for retirement are the defined contribution plans. The actuary provides Compass USA with the contributions required each year to the defined benefit plans, in order to work towards a 100% funding level on a projected salary basis. In Canada, Germany, Norway and Switzerland, the Group also participates in funded defined benefit arrangements.

In other countries, Group employees participate primarily in state arrangements to which the Group makes the appropriate contributions.

Other than where required by local regulation or statute, the defined benefit schemes are closed to new entrants. For these schemes the current service cost will increase under the projected unit credit method as the members of the schemes approach retirement.

In addition, the Group contributes to a number of multi-employer union sponsored pension plans, primarily in the USA. These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans. The Group made total contributions of £16 million in the year (2016: £12 million) to these arrangements.

### ALL DEFINED BENEFIT SCHEMES

The Group's obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value and the fair value of scheme assets is then deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds, whose term is consistent with the timing of the expected benefit payments over future years.

The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases, and inflation. It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and balance sheet.

The liabilities of the defined benefit schemes are measured by discounting the best estimate of future cash flows to be paid using the projected unit method. This method is an accrued benefits valuation method that makes allowances for projected earnings. These calculations are performed by a qualified actuary.

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

	UK SCHEMES		USA SCHEMES		OTHER SCHEMES	
	2017	2016	2017	2016	2017	2016
Discount rate	<b>2.7%</b>	2.3%	<b>3.5%</b>	3.2%	<b>2.0%</b>	1.5%
Inflation	<b>3.2%</b>	3.1%	<b>2.2%</b>	2.1%	<b>1.6%</b>	1.5%
CPI inflation	<b>2.45%</b>	2.35%	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in salaries	<b>3.2%</b>	3.1%	<b>0.5%</b>	3.0%	<b>1.8%</b>	1.7%
Rate of increase for pensions in payment	<b>3.1%</b>	3.0%	<b>2.2%</b>	2.1%	<b>0.2%</b>	0.2%
Rate of increase for deferred pensions <sup>1</sup>	<b>2.8%</b>	2.7%	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

1. This assumption is now presented as a weighted average.

The mortality assumptions used to value the current year UK pension schemes are derived from the S2PA generational mortality tables (2016: S2PA generational mortality tables) with improvements in line with the projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with +0.2 years age rating for male non-pensioners, -0.2 years age rating for male pensioners (2016: +0.2 years age rating for male non-pensioners, -0.2 years age rating for male pensioners) and -0.1 years age rating for all females (2016: -0.1 years age rating for all females), with a long term underpin of 1.25% p.a. These mortality assumptions take account of experience to date and assumptions for further improvements in the life expectancy of scheme members. The Group estimates the average duration of the UK and USA Plan's liabilities to be 19 years (2016: 19 years) and nine years (2016: 10 years) respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 20 POST EMPLOYMENT OBLIGATIONS CONTINUED

Examples of the resulting life expectancies are as follows:

	2017		2016	
	MALE	FEMALE	MALE	FEMALE
Member aged 65 in 2017 (2016)	<b>22.5</b>	<b>24.4</b>	22.4	24.3
Member aged 65 in 2041 (2040)	<b>24.3</b>	<b>26.8</b>	24.7	26.7

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

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. The mortality assumptions used to value USA schemes are derived from the RP2014 combined healthy table, generational MP2016 scale. Examples of the resulting life expectancies are as follows:

	2017		2016	
	MALE	FEMALE	MALE	FEMALE
Member aged 65 in 2017 (2016)	<b>22.4</b>	<b>23.9</b>	21.3	23.3
Member aged 65 in 2041 (2040)	<b>24.3</b>	<b>25.8</b>	23.4	25.4

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

### SENSITIVITIES OF PRINCIPAL ASSUMPTIONS

Measurement of the Group's defined benefit obligations is particularly sensitive to changes in key assumptions, including discount rate, life expectancy and inflation. The sensitivities of the principal assumptions used to measure the defined benefit obligations of the schemes are set out below:

ASSUMPTION	CHANGE IN ASSUMPTION	IMPACT ON SCHEME DEFICIT 2017	IMPACT ON SCHEME DEFICIT 2016
<b>UK</b>			
Discount rate	Increase by 0.5%	Decrease by £203 million	Decrease by £227 million
	Decrease by 0.5%	Increase by £218 million	Increase by £244 million
Inflation	Increase by 0.5%	Increase by £121 million	Increase by £154 million
	Decrease by 0.5%	Decrease by £115 million	Decrease by £126 million
CPI Inflation	Increase by 0.5%	Increase by £28 million	Increase by £41 million
	Decrease by 0.5%	Decrease by £27 million	Decrease by £31 million
Life expectations from age 65	Increase by 1 year	Increase by £93 million	Increase by £98 million
Life expectations – annual improvement rate	Increase by 1.5% per annum	Increase by £40 million	Increase by £43 million
<b>USA AND OTHERS</b>			
Discount rate	Increase by 0.5%	Decrease by £18 million	Decrease by £22 million
	Decrease by 0.5%	Increase by £19 million	Increase by £23 million
Inflation	Increase by 0.5%	Increase by £4 million	Increase by £5 million
	Decrease by 0.5%	Decrease by £4 million	Decrease by £5 million
Life expectations from age 65	Increase by 1 year	Increase by £8 million	Increase by £9 million

The sensitivities above consider the impact of the single change shown, with the other assumptions assumed to be unchanged. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). The impact of a change in the UK inflation rate shown above includes the impact of a change in both the RPI and CPI inflation rates.

The Group's net pension deficit is the difference between the schemes' liabilities and the schemes' assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the changes in assumptions. For example, a fall in interest rates will increase the schemes' liabilities but may also trigger an offsetting increase in the market value of certain assets so there is no effect on the Group's liability.

## 20 POST EMPLOYMENT OBLIGATIONS CONTINUED

### ANALYSIS OF THE FAIR VALUE PLAN ASSETS

At 30 September 2017, the assets of the various schemes were invested in a diversified portfolio that consisted primarily of equities and debt securities. The fair value of these assets is shown below by major category:

FAIR VALUE OF PLAN ASSETS BY MAJOR CATEGORY	2017				2016			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
<b>EQUITY TYPE ASSET</b>								
Global equities quoted	158	223	14	395	134	183	13	330
Global equities unquoted	–	–	15	15	–	–	15	15
<b>GOVERNMENT BONDS</b>								
UK fixed interest quoted	706	–	–	706	688	–	–	688
UK index linked quoted	885	–	–	885	1,108	–	–	1,108
Overseas quoted	–	7	–	7	–	–	–	–
Overseas unquoted	–	–	26	26	–	–	32	32
<b>CORPORATE BONDS</b>								
Corporate bonds quoted	530	123	–	653	524	154	–	678
Corporate bonds unquoted	–	–	–	–	–	–	2	2
Diversified securities quoted	–	–	–	–	–	9	–	9
<b>OTHER ASSETS</b>								
Property funds quoted	169	–	1	170	166	–	1	167
Property funds unquoted	–	–	11	11	–	–	14	14
Insurance policies unquoted	–	–	13	13	–	–	7	7
Other assets	–	–	9	9	–	–	10	10
Cash and cash equivalents	13	72	3	88	3	46	3	52
At 30 September	2,461	425	92	2,978	2,623	392	97	3,112

The UK Plan has substantial holdings of diversified global equity type investments, mainly shares in listed companies. The return on these investments is variable, and they are generally considered to be 'riskier' investments. However, it is generally accepted that the yield on these investments will contain a premium to compensate investors for this additional risk. There is significant uncertainty about the likely size of this risk premium. In respect of investments held in global equities there is also a risk of unfavourable currency movements. The trustee manages these risks by holding approximately 50% of those investments in funds which are hedged against currency movements.

The trustee also holds corporate bonds and other fixed interest securities. The risk of default on these is assessed by various rating agencies. Some of these bond investments are issued by HM Government. The risk of default on these is lower compared to the risk on corporate bond investments, although some risk may remain. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value.

MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS	2017				2016			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
At 1 October	2,623	392	97	3,112	2,137	300	85	2,522
Currency adjustment	–	(15)	(2)	(17)	4	54	15	73
Interest income on plan assets	59	12	1	72	78	12	2	92
Return on plan assets, excluding interest income	(120)	25	(1)	(96)	457	22	1	480
Employee contributions	–	32	2	34	–	23	2	25
Employer contributions	3	20	13	36	27	17	11	55
Benefits paid	(104)	(40)	(17)	(161)	(80)	(35)	(11)	(126)
Administration expenses paid from plan assets	–	(1)	–	(1)	–	(1)	–	(1)
Disposals and plan settlements	–	–	(1)	(1)	–	–	(8)	(8)
At 30 September	2,461	425	92	2,978	2,623	392	97	3,112



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 20 POST EMPLOYMENT OBLIGATIONS CONTINUED

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2017				2016			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
At 1 October	2,431	504	198	3,133	1,966	404	161	2,531
Currency adjustment	–	(18)	(3)	(21)	2	70	30	102
Current service cost	2	10	7	19	2	8	7	17
Past service cost	–	–	–	–	–	(1)	–	(1)
Interest expense on benefit obligations	55	16	2	73	73	16	4	93
Remeasurements – demographic assumptions	16	1	–	17	(19)	(3)	(3)	(25)
Remeasurements – financial assumptions	(149)	23	(10)	(136)	585	25	16	626
Remeasurements – experience	(1)	(5)	–	(6)	(98)	(3)	–	(101)
Employee contributions	–	32	3	35	–	23	2	25
Benefits paid	(102)	(41)	(18)	(161)	(80)	(35)	(11)	(126)
Disposals and plan settlements	–	–	(3)	(3)	–	–	(8)	(8)
At 30 September	2,252	522	176	2,950	2,431	504	198	3,133

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2017				2016			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
Funded obligations	2,202	522	119	2,843	2,379	391	123	2,893
Unfunded obligations	50	–	57	107	52	113	75	240
Total obligations	2,252	522	176	2,950	2,431	504	198	3,133

POST EMPLOYMENT BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET	2017					
	UK* £M	TOTAL £M	UK** £M	USA £M	OTHER £M	TOTAL £M
Present value of defined benefit obligations	(2,202)	(2,202)	(50)	(522)	(176)	(748)
Fair value of plan assets	2,461	2,461	–	425	92	517
Post employment benefit asset/(obligation) recognised in the balance sheet	259	259	(50)	(97)	(84)	(231)

\* UK funded defined benefit pension scheme.

\*\* UK unfunded defined benefit pension scheme.

POST EMPLOYMENT BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET	2016					
	UK* £M	TOTAL £M	UK** £M	USA £M	OTHER £M	TOTAL £M
Present value of defined benefit obligations	(2,379)	(2,379)	(52)	(504)	(198)	(754)
Fair value of plan assets	2,623	2,623	–	392	97	489
Post employment benefit asset/(obligation) recognised in the balance sheet	244	244	(52)	(112)	(101)	(265)

\* UK funded defined benefit pension scheme.

\*\* UK unfunded defined benefit pension scheme.

Certain Group companies have taken out life insurance policies and invested in mutual funds which will be used to meet unfunded pension obligations. The current value of these policies and other assets, £46 million (2016: £38 million), may not be offset against pension obligations under IAS 19 and is reported within note 12.

## 20 POST EMPLOYMENT OBLIGATIONS CONTINUED

### AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED INCOME STATEMENT

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

	2017				2016			
	UK £M	USA £M	OTHER £M	TOTAL £M	UK £M	USA £M	OTHER £M	TOTAL £M
Current service cost	2	10	7	19	2	8	7	17
Past service cost	–	–	–	–	–	(1)	–	(1)
Charged to operating expenses	2	10	7	19	2	7	7	16
Interest expense on benefit obligations	55	16	2	73	73	16	4	93
Interest income on plan assets	(59)	(12)	(1)	(72)	(78)	(12)	(2)	(92)
Charged to finance costs	(4)	4	1	1	(5)	4	2	1
Total charged in the consolidated income statement	(2)	14	8	20	(3)	11	9	17

The Group made total contributions to defined benefit schemes of £36 million in the year (2016: £55 million) and expects to make total contributions to these schemes of £34 million in 2018.

### AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2017 £M	2016 £M
Remeasurement of post employment benefit obligations:		
Effect of changes in demographic assumptions	(17)	25
Effect of changes in financial assumptions	136	(626)
Effect of experience adjustments	6	101
Remeasurement of post employment benefit obligations – gain/(loss)	125	(500)
Return on plan assets, excluding interest income – (loss)/gain	(96)	480
Total recognised in the consolidated statement of comprehensive income	29	(20)

## 21 SHARE CAPITAL

During the year, the Company purchased 1,340,379 ordinary shares of 10% pence each (prior to consolidation) in accordance with its share buyback programme (2016: 8,671,579). Of the shares acquired during the year, 10 were transferred into treasury (2016: 6,560,656 at a cost of £72 million) and 1,340,369 (2016: 2,110,923) were cancelled. £19 million was paid to acquire shares that were subsequently cancelled (2016: £28 million). The total amount paid to acquire all the shares was £19 million which has been deducted from shareholders' equity (2016: £100 million).

On 10 May 2017, the Company announced its intention to return £1 billion to shareholders by way of a special dividend (the Shareholder Return) which was to be accompanied by a consolidation of the entire share capital of the Company whereby shareholders would receive 25 shares of 11½ pence (the New Ordinary Shares) each in return for 26 shares of 10% pence held (the Existing Ordinary Shares) (the Share Capital Consolidation). On 7 June 2017, the Company held a General Meeting at which shareholders approved the Shareholder Return and the Share Capital Consolidation. On 26 June 2017, the Share Capital Consolidation took place and the New Ordinary Shares were admitted to trading on the main market of the London Stock Exchange at 8.00am on 27 June 2017. On 17 July 2017, the special dividend of 61.0 pence per Existing Ordinary Share was paid to shareholders. Costs in relation to the Shareholder Return were £3 million.

Prior to consolidation 2,874,893 treasury shares were released to satisfy employee shared-based payments commitments (2016: 3,780,997), leaving a balance of 8,701,004 at 26 June 2017. These treasury shares were consolidated into 8,366,350 New Ordinary Shares and subsequently a further 138,174 treasury shares were released leaving a balance held at 30 September 2017 of 8,228,176. Proceeds received from the reissuance of treasury shares to satisfy employee share awards were £0.4 million (2016: £3 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 21 SHARE CAPITAL CONTINUED

	2017		2016	
	NUMBER OF SHARES	£M	NUMBER OF SHARES	£M
<b>ALLOTTED SHARE CAPITAL</b>				
<b>ALLOTTED AND FULLY PAID:</b>				
Ordinary shares of 10% pence each		–	1,654,666,459	176
Ordinary shares of 11½% pence each	<b>1,589,736,625</b>	<b>176</b>		–
At 30 September		<b>176</b>		176

### NUMBER OF SHARES

	2017		2016
	ORDINARY SHARES OF 11½%P EACH	ORDINARY SHARES OF 10%P EACH	ORDINARY SHARES OF 10%P EACH
<b>ALLOTTED SHARE CAPITAL</b>			
At 1 October	–	<b>1,654,666,459</b>	1,656,777,382
Cancellation of shares	–	<b>(1,340,369)</b>	(2,110,923)
Conversion of 26 ordinary shares of 10% pence each to 25 new ordinary shares of 11½% pence each	<b>1,589,736,625</b>	<b>(1,653,326,090)</b>	–
At 30 September	<b>1,589,736,625</b>	–	1,654,666,459

### 22 SHARE-BASED PAYMENTS

#### INCOME STATEMENT EXPENSE

The Group recognised an expense of £21 million (2016: £16 million) in respect of share-based payment transactions. All share based payment plans are equity-settled.

The expense is broken down by share-based payment scheme as follows:

	2017 £M	2016 £M
Long term incentive plans	<b>20</b>	11
Other share-based payment plans	<b>1</b>	5
	<b>21</b>	16

#### LONG TERM INCENTIVE PLANS

Full details of The Compass Group PLC Long Term Incentive Plan 2010 (2010 LTIP) can be found in the Directors' Remuneration Report on pages 68 to 94.

The following table shows the movement in share awards during the year:

	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES
<b>LONG TERM INCENTIVE PLANS</b>		
Outstanding at 1 October	<b>6,473,178</b>	5,621,322
Awarded	<b>2,080,814</b>	2,324,740
Vested	<b>(1,630,904)</b>	(866,640)
Lapsed	<b>(616,802)</b>	(606,244)
Outstanding at 30 September	<b>6,306,286</b>	6,473,178

The vesting conditions of the LTIP awards is included in the Directors' Remuneration Report.

The fair value of awards subject to FCF and ROCE performance targets was calculated using the Black-Scholes option pricing model. The vesting probability of each element has been assessed based on a simulation model of the FCF and ROCE forecasts.

The weighted average share price at the date of vesting for LTIP awards vested during 2017 was 1,353.09 pence (2016: 1,080.00 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.5 years (2016: 1.5 years).

For the year ended 30 September 2017, Board LTIP awards were made on 23 November 2016 and 11 May 2017 for which the estimated fair value was 1,012.39 pence and 1,128.70 pence respectively. Leadership LTIP awards were also made on 23 November 2016 and 11 May 2017 for which the estimated fair value was 1,115.43 pence and 1,219.55 pence respectively.

For the year ended 30 September 2016, Board LTIP awards were made on 25 November 2015 and 12 May 2016 for which the estimated fair value was 611.01 pence and 1,022.20 pence respectively. Leadership LTIP awards were also made on 25 November 2015 and 12 May 2016 for which the estimated fair value was 928.50 pence and 1,048.51 pence respectively.

## 22 SHARE-BASED PAYMENTS CONTINUED

These awards were all made under the terms of the 2010 LTIP. The inputs to the option pricing model are reassessed for each award. The following assumptions were used in calculating the fair value of LTIP awards made during the year:

### ASSUMPTIONS – LONG TERM INCENTIVE PLANS

	2017	2016
Expected volatility	<b>18.2%</b>	17.1%
Risk free interest rate	<b>1.3%</b>	1.6%
Dividend yield	<b>2.1%</b>	2.5%
Expected life	<b>3.0 years</b>	2.9 years
Weighted average share price at date of grant	<b>1,503.03p</b>	1,203.76p

### OTHER SHARE-BASED PAYMENT PLANS

The following table shows the movements in other smaller share based payments plans during the year:

OTHER SHARE-BASED PAYMENT PLANS	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES
Outstanding at 1 October	<b>5,494,803</b>	11,354,600
Awarded	<b>404,119</b>	211,714
Vested, released and exercised	<b>(1,465,354)</b>	(2,742,211)
Lapsed (following new settlement)	<b>(586,889)</b>	(2,197,876)
Lapsed	<b>(496,892)</b>	(1,131,424)
Outstanding at 30 September	<b>3,349,787</b>	5,494,803

The expense relating to these plans is not significant and no further disclosure is necessary except for the general details provided below:

#### 1. SHARE OPTIONS

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

#### 2. DEFERRED ANNUAL BONUS PLAN (DAB)

Certain senior executives participate in the DAB. A portion of the annual bonus awarded to certain executives is converted into shares. Subject to the achievement of local organic revenue growth and cumulative profit before interest and tax (PBIT) targets over the three year deferral period, the number of deferred shares may be increased. Enhancements to the deferred shares are only released to the participants subject to the performance levels being met.

#### 3. RESTRICTED SHARES

Occasional awards to certain employees in order to incentivise the achievement of particular business objectives under specific circumstances or where similar such shares have been forfeit by a new employee on joining the Company. The plan can take different forms such as an award of shares dependent on a service or achievement of specific performance conditions other than service.

#### 4. ACCELERATED GROWTH PLAN (AGP)

Contingent share awards under this plan have been awarded to the leadership team in certain countries in order to reward and encourage the growth of those businesses. Vesting of these awards was subject to the achievement of local organic revenue growth and cumulative PBIT targets over the three year period. 100% of the award vested if the maximum performance targets were met and 50% if minimum threshold performance targets were met. Awards vested on a straight line basis between these maximum and minimum points. The shares under the AGP have all vested, no extant cycles are in existence.

#### 5. LONG TERM BONUS PLAN

Certain executives participating in the Long Term Bonus Plan in prior years received an award of deferred Compass Group PLC shares. The award of bonus shares is subject to performance conditions and matching shares may be released by the Company following the completion of a further period of service. The terms of the Plan require that these shares are purchased in the market, rather than being issued by the Company. The shares are purchased and distributed by the Executive Share Option Plan (ESOP) and LTIP Trust (LTIPT).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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### 23 BUSINESS COMBINATIONS

The main acquisitions completed during the year have been the following:

On 27 January 2017, Compass Group USA, Inc., a USA subsidiary of the Group, purchased the trading net assets of Gourmet Coffee Service, Inc. through its Canteen division for a consideration of £22 million. Gourmet Coffee Service, Inc. is a California based company that provides vending, micro markets and office coffee services.

On 22 February 2017, Compass Group USA, Inc., a USA subsidiary of the Group, purchased the trading net assets of Ace Coffee Bar, Inc. through its Canteen division for a consideration of £20 million. Ace Coffee Bar, Inc. is an Illinois based company that provides vending, micro markets and office coffee services.

In addition to the acquisitions set out above, the Group has also completed several smaller infill acquisitions in several countries. A summary of all the acquisitions completed during the period is included below:

	2017		2016	
	BOOK VALUE £M	FAIR VALUE £M	BOOK VALUE £M	FAIR VALUE £M
<b>Net assets acquired</b>				
Goodwill arising on acquisition	–	43	–	105
Contract-related and other intangibles arising on acquisition	–	44	–	102
Trade and other receivables	3	3	22	22
Other assets	7	7	9	8
Cash and cash equivalents	1	1	7	7
Deferred tax	–	(3)	(2)	(22)
Trade and other payables	(3)	(3)	(32)	(32)
Other liabilities	(8)	(5)	(4)	(4)
Fair value of net assets acquired	–	87	–	186
<b>Satisfied by</b>				
Cash consideration		72		155
Contingent and deferred consideration <sup>1</sup>		15		31
Total consideration		87		186
<b>Cash flow</b>				
Cash consideration		72		155
Cash acquired		(1)		(7)
Acquisition transaction costs		2		2
Net cash outflow arising on acquisition		73		150
Deferred consideration and other payments relating to previous acquisitions		23		30
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings		96		180

1. 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 adjustments made in respect of acquisitions in the year to 30 September 2017 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 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.

In the period from acquisition to 30 September 2017, the acquisitions contributed revenue of £45 million and operating profit of £2.5 million to the Group's results (2016: £129 million and £8 million respectively).

If the acquisitions had occurred on 1 October 2016, it is estimated that the combined sales of Group and equity accounted joint ventures for the period would have been £22,893 million and total Group operating profit (including associates) would have been £1,667 million.

## 24 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	2017 £M	2016 £M
Operating profit before joint ventures and associates	1,623	1,370
Adjustments for:		
Acquisition transaction costs	2	2
Amortisation of intangible assets	221	179
Amortisation of intangible assets arising on acquisition	39	31
Share-based payments expense – non-controlling interest call option	–	1
Depreciation of property, plant and equipment	262	216
Profit on disposal of property, plant and equipment/intangible assets	–	(1)
Decrease in provisions	(24)	(19)
Post employment benefit obligations net of service costs	(14)	(39)
Share-based payments – charged to profits	21	16
Operating cash flows before movement in working capital	2,130	1,756
Increase in inventories	(11)	(13)
Increase in receivables	(152)	(93)
Increase in payables	101	118
Cash generated from operations	2,068	1,768

## 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

	GROSS DEBT							TOTAL GROSS DEBT £M	NET DEBT £M
	CASH AND CASH EQUIVALENTS £M	BANK OVERDRAFTS £M	BANK AND OTHER BORROWINGS £M	TOTAL OVERDRAFTS AND BORROWINGS £M	FINANCE LEASES £M	DERIVATIVE FINANCIAL INSTRUMENTS £M			
<b>NET DEBT</b>									
At 1 October 2015	283	(59)	(2,859)	(2,918)	(13)	45	(2,886)	(2,603)	
Net increase in cash and cash equivalents	10	–	–	–	–	–	–	10	
Cash outflow from repayment of bank loans	–	–	195	195	–	–	195	195	
Cash outflow from repayment of loan notes	–	–	114	114	–	–	114	114	
Cash (inflow)/outflow from other changes in gross debt	–	42	(378)	(336)	–	142	(194)	(194)	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	3	–	3	3	
Increase in net debt as a result of new finance leases	–	–	–	–	(2)	–	(2)	(2)	
Currency translation (losses)/gains	53	(10)	(402)	(412)	(2)	(34)	(448)	(395)	
Other non-cash movements	–	–	(25)	(25)	–	23	(2)	(2)	
At 30 September 2016	346	(27)	(3,355)	(3,382)	(14)	176	(3,220)	(2,874)	
Net increase in cash and cash equivalents	52	–	–	–	–	–	–	52	
Cash outflow from repayment of bank loans	–	–	536	536	–	–	536	536	
Cash inflow from borrowing of bank loans	–	–	(301)	(301)	–	–	(301)	(301)	
Cash outflow from repayment of loan notes	–	–	35	35	–	–	35	35	
Cash inflow from issue of bonds	–	–	(942)	(942)	–	–	(942)	(942)	
Cash outflow/(inflow) from other changes in gross debt	–	16	1	17	–	(64)	(47)	(47)	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	6	–	6	6	
Increase in net debt as a result of new finance leases	–	–	–	–	(2)	–	(2)	(2)	
Currency translation (losses)/gains	(11)	3	17	20	–	80	100	89	
Other non-cash movements	–	–	68	68	–	(66)	2	2	
At 30 September 2017	387	(8)	(3,941)	(3,949)	(10)	126	(3,833)	(3,446)	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT CONTINUED

Other non-cash movements are comprised as follows:

	2017 £M	2016 £M
<b>OTHER NON-CASH MOVEMENTS IN NET DEBT</b>		
Amortisation of fees and discount on issuance	(3)	(1)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	71	(24)
Bank and other borrowings	68	(25)
Changes in the value of derivative financial instruments including accrued income	(66)	23
Other non-cash movements	2	(2)

CASH FLOWS ARISING FROM FINANCING ACTIVITIES	2017							TOTAL
	REPAYMENT OF BANK LOANS	BORROWING OF BANK LOANS	REPAYMENT OF LOAN NOTES	ISSUE OF BONDS	CASH (INFLOW)/ OUTFLOW FROM OTHER	DIVIDENDS	REPURCHASE OF TREASURY SHARES	
Debt	536	(301)	35	(942)	(41)	–	–	(713)
Equity	–	–	–	–	–	1,547	19	1,566
Total								853

CASH FLOWS ARISING FROM FINANCING ACTIVITIES	2016							TOTAL
	REPAYMENT OF BANK LOANS	BORROWING OF BANK LOANS	REPAYMENT OF LOAN NOTES	ISSUE OF BONDS	CASH (INFLOW)/ OUTFLOW FROM OTHER	DIVIDENDS	REPURCHASE OF TREASURY SHARES	
Debt	195	–	114	–	(194)	–	–	115
Equity	–	–	–	–	–	505	100	605
Total								720

### 26 CONTINGENT LIABILITIES

#### PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES

	2017 £M	2016 £M
Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>1</sup>	387	366

1. Excludes post employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 28.

#### PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES

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

#### EUREST SUPPORT SERVICES

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

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

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

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

## 26 CONTINGENT LIABILITIES CONTINUED

### OTHER LITIGATION AND CLAIMS

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

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

### OUTCOME

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

## 27 CAPITAL COMMITMENTS

### CAPITAL COMMITMENTS

	2017 £M	2016 £M
Contracted for but not provided for	<b>403</b>	328

The majority of capital commitments are for intangible assets.

## 28 OPERATING LEASE AND CONCESSIONS COMMITMENTS

The Group leases offices and other premises under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights.

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

OPERATING LEASE AND CONCESSIONS COMMITMENTS	2017			2016		
	OPERATING LEASES		OTHER OCCUPANCY RENTALS £M	OPERATING LEASES		OTHER OCCUPANCY RENTALS £M
	LAND AND BUILDINGS £M	OTHER ASSETS £M		LAND AND BUILDINGS £M	OTHER ASSETS £M	
Falling due within 1 year	61	71	76	59	68	74
Falling due between 2 and 5 years	167	132	166	154	114	117
Falling due in more than 5 years	116	14	172	108	14	69
Total	<b>344</b>	<b>217</b>	<b>414</b>	321	196	260

## 29 RELATED PARTY TRANSACTIONS

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

### SUBSIDIARIES

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

### JOINT VENTURES

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

### ASSOCIATES

The balances with associated undertakings are shown in note 13. There were no significant transactions with associated undertakings during the year.

### KEY MANAGEMENT PERSONNEL

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

## 30 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 31 EXCHANGE RATES

	2017	2016
<b>AVERAGE EXCHANGE RATE FOR THE YEAR<sup>1</sup></b>		
Australian Dollar	<b>1.67</b>	1.94
Brazilian Real	<b>4.09</b>	5.19
Canadian Dollar	<b>1.68</b>	1.88
Chilean Peso	<b>837.69</b>	972.94
Euro	<b>1.15</b>	1.28
Japanese Yen	<b>141.38</b>	159.94
New Zealand Dollar	<b>1.78</b>	2.08
Norwegian Krone	<b>10.55</b>	12.00
Turkish Lira	<b>4.44</b>	4.16
UAE Dirham	<b>4.69</b>	5.22
US Dollar	<b>1.28</b>	1.42
<b>CLOSING EXCHANGE RATE AS AT 30 SEPTEMBER<sup>1</sup></b>		
Australian Dollar	<b>1.71</b>	1.70
Brazilian Real	<b>4.24</b>	4.22
Canadian Dollar	<b>1.68</b>	1.71
Chilean Peso	<b>857.49</b>	855.93
Euro	<b>1.13</b>	1.16
Japanese Yen	<b>151.02</b>	131.54
New Zealand Dollar	<b>1.86</b>	1.79
Norwegian Krone	<b>10.68</b>	10.38
Turkish Lira	<b>4.77</b>	3.90
UAE Dirham	<b>4.93</b>	4.77
US Dollar	<b>1.34</b>	1.30

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.

## 32 STATUTORY AND UNDERLYING RESULTS

	NOTES	2017 STATUTORY £M	ADJUSTMENTS							2017 UNDERLYING £M
			1	2	3	4	5	6	7	
Operating profit	1	1,665	39	2	(3)	2	–	–	–	1,705
Profit on disposal of businesses		–	–	–	–	–	–	–	–	–
<b>Net finance cost</b>		<b>(105)</b>	–	–	–	–	–	(9)	–	<b>(114)</b>
Finance income		6	–	–	–	–	–	–	–	6
Finance costs		(120)	–	–	–	–	–	–	–	(120)
Other financing items		9	–	–	–	–	–	(9)	–	–
<b>Profit before tax</b>		<b>1,560</b>	<b>39</b>	<b>2</b>	<b>(3)</b>	<b>2</b>	–	<b>(9)</b>	–	<b>1,591</b>
Income tax expense		(389)	(14)	–	–	(2)	–	1	–	(404)
Tax rate		24.9%								25.4%
<b>Profit for the year</b>		<b>1,171</b>	<b>25</b>	<b>2</b>	<b>(3)</b>	–	–	<b>(8)</b>	–	<b>1,187</b>
Non-controlling interests		(10)	–	–	–	–	–	–	–	(10)
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,161</b>	<b>25</b>	<b>2</b>	<b>(3)</b>	–	–	<b>(8)</b>	–	<b>1,177</b>
Average number of shares		1,628	–	–	–	–	–	–	–	1,628
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>71.3</b>	<b>1.5</b>	<b>0.1</b>	<b>(0.2)</b>	–	–	<b>(0.4)</b>	–	<b>72.3</b>

	NOTES	2016 STATUTORY £M	ADJUSTMENTS							2016 UNDERLYING £M
			1	2	3	4	5	6	7	
Operating profit	1	1,409	31	2	–	2	–	–	1	1,445
Profit on disposal of businesses		1	–	–	–	–	(1)	–	–	–
<b>Net finance cost</b>		<b>(89)</b>	–	–	–	–	–	(12)	–	<b>(101)</b>
Finance income		4	–	–	–	–	–	–	–	4
Finance costs		(105)	–	–	–	–	–	–	–	(105)
Other financing items		12	–	–	–	–	–	(12)	–	–
<b>Profit before tax</b>		<b>1,321</b>	<b>31</b>	<b>2</b>	–	<b>2</b>	<b>(1)</b>	<b>(12)</b>	<b>1</b>	<b>1,344</b>
Income tax expense		(319)	(11)	–	–	(2)	–	2	–	(330)
Tax rate		24.1%								24.5%
<b>Profit for the year</b>		<b>1,002</b>	<b>20</b>	<b>2</b>	–	–	<b>(1)</b>	<b>(10)</b>	<b>1</b>	<b>1,014</b>
Non-controlling interests		(10)	–	–	–	–	–	–	–	(10)
<b>Profit attributable to equity shareholders of the Company</b>		<b>992</b>	<b>20</b>	<b>2</b>	–	–	<b>(1)</b>	<b>(10)</b>	<b>1</b>	<b>1,004</b>
Average number of shares		1,643	–	–	–	–	–	–	–	1,643
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	6	<b>60.4</b>	<b>1.2</b>	<b>0.1</b>	–	–	<b>(0.1)</b>	<b>(0.6)</b>	<b>0.1</b>	<b>61.1</b>

### ADJUSTMENTS:

1. Amortisation of intangibles arising on acquisition.
2. Acquisition transaction costs.
3. Adjustment to contingent consideration on acquisition.
4. Tax on share of profit of joint ventures.
5. Gain on disposal of businesses.
6. Other financing items including hedge accounting ineffectiveness.
7. Share-based payments expense – non-controlling interest call option.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 33 ORGANIC REVENUE AND ORGANIC PROFIT

	GEOGRAPHICAL SEGMENTS				GROUP £M
	NORTH AMERICA £M	EUROPE £M	REST OF WORLD £M	CENTRAL ACTIVITIES £M	
<b>2017</b>					
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>13,322</b>	<b>5,911</b>	<b>3,619</b>	–	<b>22,852</b>
% growth reported rates	19.0%	8.3%	12.6%	–	15.0%
% growth constant currency	6.7%	1.5%	(2.5%)	–	3.8%
Organic adjustments	(57)	(3)	–	–	(60)
Organic revenue	13,265	5,908	3,619	–	22,792
<b>% growth organic</b>	<b>7.1%</b>	<b>1.6%</b>	<b>(2.5%)</b>	–	<b>4.0%</b>
<b>2016</b>					
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>11,198</b>	<b>5,458</b>	<b>3,215</b>	–	<b>19,871</b>
Currency adjustments	1,286	364	496	–	2,146
Constant currency underlying revenue	12,484	5,822	3,711	–	22,017
Organic adjustments	(97)	(5)	–	–	(102)
Organic revenue	12,387	5,817	3,711	–	21,915
<b>2017</b>					
<b>Regional underlying operating profit</b>	<b>1,082</b>	<b>428</b>	<b>248</b>	<b>(70)</b>	<b>1,688</b>
Share of profit of associates	12	5	–	–	17
<b>Group underlying operating profit</b>	<b>1,094</b>	<b>433</b>	<b>248</b>	<b>(70)</b>	<b>1,705</b>
<b>Underlying operating margin</b>	<b>8.1%</b>	<b>7.2%</b>	<b>6.9%</b>	–	<b>7.4%</b>
% growth reported rates	19.2%	8.6%	13.8%	–	18.0%
% growth constant currency	6.9%	1.2%	(2.0%)	–	5.6%
Organic adjustments	(4)	–	–	–	(4)
Organic profit	1,090	433	248	(70)	1,701
<b>% growth organic</b>	<b>7.4%</b>	<b>1.2%</b>	<b>(2.0%)</b>	–	<b>5.9%</b>
<b>2016</b>					
<b>Regional underlying operating profit</b>	<b>908</b>	<b>394</b>	<b>218</b>	<b>(65)</b>	<b>1,455</b>
Share of profit of associates	10	5	–	–	15
EM & OR restructuring	–	(6)	(19)	–	(25)
<b>Group underlying operating profit</b>	<b>918</b>	<b>393</b>	<b>199</b>	<b>(65)</b>	<b>1,445</b>
<b>Underlying operating margin</b>	<b>8.1%</b>	<b>7.2%</b>	<b>6.8%</b>	–	<b>7.2%</b>
Currency adjustments	105	29	35	–	169
Constant currency underlying profit	1,023	422	234	(65)	1,614
Organic adjustments	(8)	–	–	–	(8)
Organic profit	1,015	422	234	(65)	1,606

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC

PRINCIPAL SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITIES
<b>Ground Floor 35-51 Mitchell Street, McMahon's Point NSW 2060, Australia</b>			
Compass Group (Australia) Pty Limited	Australia	100	Food and support services
<b>Rua Tutoia, 119, Vila Mariana, Sao Paulo, 04007-000, Brazil</b>			
GR Serviços e Alimentação Ltda.	Brazil	100	Food and support services
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>			
Compass Group Canada Ltd. Groupe Compass Canada Ltée <sup>(iii)</sup> <sup>(iv)</sup> <sup>(v)</sup> <sup>(vi)</sup>	Canada	100	Food and support services
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>			
Compass Group France Holdings SAS	France	100	Holding company
Compass Group France SAS	France	100	Food and support services
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>			
Compass Group Deutschland GmbH	Germany	100	Holding company
Medirest GmbH & Co OHG	Germany	100	Food service to the healthcare and senior living market
Eurest Deutschland GmbH	Germany	100	Food service to business and industry
Eurest Services GmbH	Germany	100	Support services to business and industry
Food Affairs GmbH	Germany	100	Food service for the events market
<b>Via Angelo Scarsellini, 14, 20161, Milano, Italy</b>			
Compass Group Italia S.p.A.	Italy	100	Food service, support services and prepaid meal vouchers
<b>Seiwa Ikebukuro Building, 3-13-3, Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-0013, Japan</b>			
Seiyo Food-Compass Group, Inc.	Japan	100	Food and support services
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>			
Compass Group International B.V.	Netherlands	100	Holding company
Compass Group Nederland B.V.	Netherlands	100	Food and support services
Compass Group Nederland Holding B.V.	Netherlands	100	Holding company
Eurest Services B.V.	Netherlands	100	Food and support services
<b>22 Milkyway Avenue, Linbro Park, Sandton, Guateng, 2090, South Africa</b>			
Compass Group Southern Africa (Pty) Ltd <sup>(iii)</sup> <sup>(iv)</sup> <sup>(viii)</sup>	South Africa	75	Food and support services
Supercare Services Group (Proprietary) Limited	South Africa	75	Support services
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Balears, Spain</b>			
Compass Group Holdings Spain, S.L.	Spain	100	Holding company
<b>Calle Pinar de San José 98 planta 1ª 28054 Madrid, Spain</b>			
Eurest Colectividades S.L.	Spain	100	Food and support services
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>			
Compass Group (Schweiz) AG	Switzerland	100	Food and support services
Restorama AG	Switzerland	100	Food service
<b>İçlerenköy Mah. Yesil vadi sokak, No: 3 D: 12, 34752 Atasehir, Istanbul, Turkey</b>			
Sofra Yemek Üretim Ve Hizmet A.Ş. <sup>(iii)</sup>	Turkey	100	Food and support services
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, England, United Kingdom</b>			
Compass Contract Services (U.K.) Limited	UK	100	Food and support services
Compass Group, UK and Ireland Limited	UK	100	Holding company
Compass Purchasing Limited	UK	100	Purchasing services in the UK and Ireland
Compass Services (U.K.) Limited	UK	100	Food and support services
Letheby & Christopher Limited	UK	100	Food service for the UK sports and events market
Scolarest Limited	UK	100	Food service for the UK education market
VSG Group Limited <sup>(iii)</sup>	UK	100	Security and support services



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

PRINCIPAL SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITIES
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, England, United Kingdom</b>			
Compass Group Holdings PLC <sup>(vi)</sup>	UK	100	Holding company and corporate activities
Compass Group Procurement Limited	UK	100	Purchasing services throughout the world
Hospitality Holdings Limited <sup>(i)</sup>	UK	100	Intermediate holding company
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>			
Bon Appétit Management Co. <sup>(viii)</sup>	USA	100	Food service
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>			
Compass Group USA Investments Inc.	USA	100	Holding company
Compass Group USA, Inc. <sup>(viii)</sup>	USA	100	Food and support services
Crothall Services Group	USA	100	Support services to the healthcare market
Foodbuy, LLC	USA	100	Purchasing services in North America
Restaurant Associates Corp.	USA	100	Fine dining facilities
Wolfgang Puck Catering and Events, LLC	USA	90	Fine dining facilities
<b>80 State Street, Albany, NY 12207-2543, USA</b>			
Flik International Corp.	USA	100	Fine dining facilities
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			
Levy Restaurants Limited Partnership	USA	100	Fine dining and food service at sports and entertainment facilities
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>			
Morrison Management Specialists, Inc. <sup>(viii)</sup>	USA	100	Food service to the healthcare and senior living market

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Chez: Eurojapan Résidence, RN n°3 BP 398 , Hassi Messaoud 30500, Wilaya de Quargla, Algeria</b>					
Eurest Algerie SPA	Algeria	100			
<b>Esteban Echeverría 1050, 6<sup>th</sup> floor, Vicente Lopez (1602), Buenos Aires, Argentina</b>					
Servicios Compass de Argentina S.A.	Argentina	100			
<b>Ground Floor 35 – 51 Mitchell Street, McMahons Point NSW 2060, Australia</b>					
Compass Australia PTY Ltd <sup>(a)</sup>	Australia	100			
Compass (Australia) Catering & Services PTY Ltd <sup>(a) (b)</sup>	Australia	100			
Compass Group B&I Hospitality Services PTY Ltd	Australia	100			
Compass Group Defence Hospitality Services PTY Ltd	Australia	100			
Compass Group Education Hospitality Services PTY Ltd	Australia	100			
Compass Group Healthcare Hospitality Services PTY Ltd	Australia	100			
Compass Group Management Services PTY Ltd	Australia	100			
Compass Group Relief Hospitality Services PTY Ltd	Australia	100			
Compass Group Remote Hospitality Services PTY Ltd	Australia	100			
Compass Group Retail Services Pty Ltd	Australia	100			
Delta Facilities Management PTY Ltd	Australia	100			
Delta FM Australia PTY Ltd	Australia	100			
Delta Force Personnel Pty Ltd	Australia	100			
Eurest (Australia) Food Services – NSW Pty Ltd	Australia	100			
Eurest (Australia) Food Services – Wollongong PTY Ltd	Australia	100			
Eurest (Australia) Food Services PTY Ltd	Australia	100			
Eurest (Australia) Licence Holdings PTY Ltd	Australia	100			
Eurest (Australia) PTY Ltd	Australia	100			
Heritage Catering & Services PTY Ltd	Australia	100			
LAPG Education PTY Ltd	Australia	100			
LAPG PTY Ltd	Australia	100			
Life's A Party Group PTY Ltd	Australia	100			
Life's A Party PTY Ltd	Australia	100			
Omega Security Services PTY Ltd	Australia	100			
Restaurant Associates (Australia) PTY Ltd	Australia	100			
Sargem PTY Ltd	Australia	100			
<b>Level 4, 369 Royal Parade, Parkville Victoria 3052, Australia</b>					
Eurest (Australia) – Victoria PTY Ltd	Australia	100			
<b>Level 22, 135 King Street, Sydney NSW 2000, Australia</b>					
MBM Integrated Services Pty <sup>(a)</sup>	Australia	100			
<b>Wagramer Strasse 19/4. Stock, 1220 Wien, Austria</b>					
Compass Group Austria Holdings One GmbH	Austria	100			
Compass Group Austria Holdings Two GmbH	Austria	100			
Eurest Restaurationbetriebs GmbH	Austria	100			
Kunz Gebäudereinigung GmbH	Austria	100			
Select Service Partner Gastronomiebetrieb GmbH <sup>(a)</sup>	Austria	100			
<b>Road # 123, House # 82, Flat # C/1, Gulshan Avenue, Dhaka-1212, Bangladesh</b>					
C.A.P.S. (Bangladesh) Limited <sup>(a)</sup>	Bangladesh	100			
<b>Chaussée de Haecht 1179, B-1130 Bruxelles, Belgium</b>					
Compass Group Belgilux S.A.	Belgium	100			
Compass Group Service Solutions S.A.	Belgium	100			
F.L.R. Holding S.A. <sup>(a)</sup>	Belgium	100			
<b>Rua Orissanga, 200, 1<sup>st</sup> Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>					
Clean Mall Serviços Ltda.	Brazil	100			
<b>Rua Orissanga, 200, 3<sup>rd</sup> Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>					
GRSA Serviços LTDA.	Brazil	100			
<b>Craigmuir Chambers, PO Box 71, Roadtown, Tortola, VG1110, British Virgin Islands</b>					
Compass Group Holdings (BVI) Limited	British Virgin Islands	100			
<b>c/o Action Group Ltd., No.12, Street 614, Sangkat Boeung Kok II, Khan Tuol Kork, Phnom Penh City, Cambodia</b>					
Compass Group (Cambodia) Co. Ltd. <sup>(a)</sup>	Cambodia	100			
<b>100, Rue n° 1044 Hydrocarbures, Bonapriso, BP 5767 Douala, Cameroon</b>					
Eurest Cameroun SARL <sup>(a)</sup>	Cameroon	100			
Eurest Camp Logistics Cameroun SARL <sup>(a)</sup>	Cameroon	100			
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>					
Canteen of Canada Ltd	Canada	100			
Compass Canada Support Services Ltd <sup>(a) (b) (c) (d)</sup>	Canada	100			
Compass Group Ontario Ltd	Canada	100			
<b>1959 Upper Water Street, Suite 1100, Halifax, Nova Scotia, B3J 3E5, Canada</b>					
Crothall Services Canada Inc <sup>(a) (b)</sup>	Canada	100			
East Coast Catering (NS) Limited	Canada	100			
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>					
East Coast Catering Limited <sup>(a) (b) (c)</sup>	Canada	100			
Long Harbour Catering LP <sup>(a)</sup>	Canada	100			
Long Harbour Catering Ltd	Canada	100			
<b>421 7<sup>th</sup> Avenue SW, Suite 1600, Calgary, Alberta, T2P 4K9, Canada</b>					
Great West Catering Ltd	Canada	100			
Tamarack Catering Ltd	Canada	100			
<b>2580 Rue Dollard, Lasalle, Quebec, H8N 1T2, Canada</b>					
Groupe Compass (Québec) Ltée <sup>(a) (b) (c) (d)</sup>	Canada	100			
<b>550 Burrard Street, Suite 2300, Bentall 5, P.O. Box 30, Vancouver, British Columbia, V6C 2B5, Canada</b>					
Town Square Food Services Ltd	Canada	100			
<b>PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands</b>					
Heriot Limited <sup>(a)</sup>	Cayman Islands	100			
<b>Av. del Valle 787, 5<sup>th</sup> floor, Huecuraba, Santiago, Chile</b>					
Cadelsur S.A.	Chile	100			
Compass Catering S.A.	Chile	100			
Compass Catering Y Servicios Chile Limitada	Chile	100			
Compass Servicios S.A.	Chile	100			
Scolarest S.A.	Chile	100			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>No. 1999 Floor 2, Xin Zhu Road, Minhang District, 200237, China</b>		
Compass (China) Management Services Company Limited	China	100
<b>Room 532 Floor 5 No. 28 Lane 2777, East Jinxiu Road, Pudong District, Shanghai 201206, China</b>		
Shanghai Euresst Food Technologies Service Co., Ltd.	China	100
<b>Autopista Norte No. 235 – 71, Bogota D.C., Colombia</b>		
Compass Group Services Colombia S.A.	Colombia	100
<b>Enceinte de Brometo Centre Ville, BP 5208, Pointe-Noire, The Democratic Republic of the Congo</b>		
Euresst Services Congo SARL <sup>(a)</sup>	Congo	100
<b>195, Arch. Makariou III Avenue, Neocleous House, 3030 Limassol, Cyprus</b>		
ESS Design & Build Ltd <sup>(a)</sup>	Cyprus	100
Euresst (Cyprus) Ltd <sup>(a)</sup>	Cyprus	100
Euresst Support Services (Cyprus) International Ltd	Cyprus	100
<b>Jankovcova, 1603/47a, Holešovice 170 00, Prague 7, Czech Republic</b>		
Compass Group Czech Republic s.r.o.	Czech Republic	100
SCOLAREST- zařízení školního stravování spol. s.r.o	Czech Republic	100
<b>Roholsmvej 11D, DK-2620, Albertslund, Denmark</b>		
Compass Group Danmark A/S	Denmark	100
<b>PL 1271, 00101, Helsinki, 00101, Finland</b>		
Compass Group Finland OY	Finland	100
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>		
7000 Set Meal SAS	France	100
Academie Formation Groupe Compass SAS	France	100
Caterine Restauration SAS	France	100
Compass Food Trucks France SAS	France	100
Euresst International SNC	France	100
Euresst Sports & Loisirs SAS	France	100
Evhrest SAS	France	100
Levy Restaurants France SAS	France	100
Mediance SAS	France	100
Memonett SAS	France	100
Servirest SAS	France	100
SHRM Angola SAS <sup>(a)</sup>	France	100
Société De Prestations En Gestion Immobiliere SAS	France	100
Société Nouvelle Lecocq SAS	France	100
Sud Est Traiteur SAS	France	100
<b>Rue des Artisans, ZA de Bel Air, 12000 Rodez, France</b>		
Central Restauration Martel (CRM)	France	100
<b>Zone Artisanale, 40500 Bas Maucou, France</b>		
Culinaire Des Pays de L'Adour SAS	France	100
<b>40, Bd de Dunkerque, 13002 Marseille, France</b>		
Société International D'Assistance SA <sup>(a)</sup>	France	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Lieu Dit la Prade, 81580 Soual, France</b>		
Occitanie Restauration SAS	France	100
<b>1 Avenue Louis De Cadoudal, Luscanen 56880 Ploeren, France</b>		
Oceane de Restauration SAS	France	100
<b>Rue Eugène Sué, Zone Industrielle de Blanzat, 03100 Montluçon, France</b>		
Sogirest SAS	France	100
<b>ZONE OPRAG, (Face à Bernabé Nouveau Port), BP 1292, Port Gentil, Gabon</b>		
Euresst Support Services Gabon SA	Gabon	100
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>		
Euresst Bremen GmbH	Germany	100
Euresst Süd GmbH	Germany	100
Menke Menue GmbH	Germany	100
<b>Sankt-Florian-Weg 1, 30880, Laatzen, Germany</b>		
Euresst West GmbH & Co. KG	Germany	100
Orgamed Betriebsgesellschaft für Zentralsterilisationen GmbH	Germany	100
Plural Gebäudemanagement GmbH	Germany	100
Plural Personalservice GmbH	Germany	100
Plural servicepool GmbH	Germany	100
<b>Pfaffenwiese, 65929 Frankfurt/M., Germany</b>		
LPS Event Gastronomie GmbH	Germany	100
<b>Edisonstraße 7, 63477, Maintal, Germany</b>		
M.S.G. Frucht GmbH	Germany	100
S.B. Verwaltungs GmbH <sup>(a)</sup>	Germany	100
<b>Katharinenstraße 7, 83043 Bad Aibling, Germany</b>		
Royal Business Restaurants GmbH	Germany	100
<b>PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB</b>		
Compass Group Finance Ltd	Guernsey	100
<b>Room 805, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong</b>		
Compass Group Hong Kong Ltd	Hong Kong	100
Encore Catering Ltd	Hong Kong	100
Shing Hin Catering Group Ltd	Hong Kong	100
<b>Aliz u. 2., H-1117 Budapest, Hungary</b>		
Euresst Étterműzemetelő Korlátolt Felelősségű Társaság	Hungary	100
<b>Unit #426, 4<sup>th</sup> Floor, Tower A, Space 1 – Tech Park Sohna Road, Sector 49 Gurgaon, Gurgaon HR 122018 IN, India</b>		
Compass Group (India) Support Services Private Ltd	India	100
Compass India Support Services Private Limited	India	100
<b>3<sup>rd</sup> Floor, 43a, Yeats Way, Parkwest Business Park, Dublin 12, Ireland</b>		
Amstel Limited <sup>(a)</sup>	Ireland	100
Catering Management Ireland Limited <sup>(a)</sup>	Ireland	100
Cheyenne Limited <sup>(a)</sup>	Ireland	100

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
Compass Catering Services, Ireland Limited	Ireland	100
Drumburgh Limited <sup>(6)</sup>	Ireland	100
Management Catering Services Limited	Ireland	100
National Catering Limited <sup>(6)</sup>	Ireland	100
Rushmore Investment Company Limited <sup>(6) (vii)</sup>	Ireland	100
Sutcliffe Ireland Limited	Ireland	100
Zadca Limited <sup>(6)</sup>	Ireland	100
COH Ireland Investments Designated Activity Company <sup>(viii) (6)</sup>	Ireland	100
<b>12-14 Finch Road, Douglas, IM99 1TT, Isle of Man</b>		
Consolidated Services Limited	Isle of Man	100
<b>Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man</b>		
Queens Wharf Insurance Services Limited <sup>(viii)</sup>	Isle of Man	100
<b>Shin-Hie Building 2<sup>nd</sup> Floor, 3-3-3, Hakataeki-Higashi, Hakata-ku, Fukuoka-City, Fukuoka-Prefecture, Japan</b>		
Eishoku-Medix, Inc.	Japan	100
<b>Seiwa Ikebukuro Building, 3-13-3, Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-0013, Japan</b>		
Eurest Japan, Inc.	Japan	100
Fuyo, Inc.	Japan	100
Marunouchi Polestar Co., Ltd	Japan	100
MFS, Inc.	Japan	100
Seijo Food-Compass Group Holdings, Inc.	Japan	100
<b>2-10-9 Higashi-Kanda, Chiyoda-ku, Tokyo, 101-0031, Japan</b>		
Nihon Kyushoku Service, Inc.	Japan	100
<b>1-14-2, Kurumada-cho, Showa-ku, Nagoya-City, Aichi-Prefecture, 466-0001, Japan</b>		
Sun Food, Inc.	Japan	100
<b>Intertrust Group, 44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey</b>		
Malakand Unlimited	Jersey	100
<b>64 Old Airport Road, Atyrau, 060011, Kazakhstan</b>		
Too ESS Support Services Kazakhstan LLP	Kazakhstan	100
<b>060011, Atyrauskaya Oblast, Atyrau City, Beibarys Sultan Avenue 506, Kazakhstan</b>		
Too Eurest Support Services Kazakhstan LLP	Kazakhstan	100
<b>209/8919 Sigma Road Off Enterprises Road, PO BOX 14 662, Nairobi, Kenya</b>		
Kenya Oilfield Services Ltd <sup>(6)</sup>	Kenya	100
<b>19, Rue Léon Laval, L-3372 Leudelange, Luxembourg</b>		
Automat <sup>1</sup> Services SARL	Luxembourg	100
Eurest Luxembourg S.A.	Luxembourg	100
IMMO Capellen S.A.	Luxembourg	100
Innoclean S.A.	Luxembourg	100
Novelia Senior Services S.A.	Luxembourg	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</b>		
Compass Group Malaysia Sdn Bhd	Malaysia	100
<b>50-8-1, TKT.8, Wsima UOA Damansara, 50 Jalan. Dungun, Damansara Heights, Kuala Lumpur, 50490, Malaysia</b>		
S.H.R.M. Sdn. Bhd. <sup>(6)</sup>	Malaysia	100
<b>5<sup>th</sup> Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius</b>		
Compass Group Mauritius Ltd	Mauritius	100
<b>Calle Jaime Balmes 11, Oficina 101 letra D, Col. Los Morales Polanco, Delegación Miguel Hidalgo, 11510 México D.F., Mexico</b>		
Eurest Proper Meals de Mexico S.A. de C.V. <sup>(6) (iv)</sup>	Mexico	100
Servicios Corporativos Eurest-Proper Meals de Mexico S.A. De C.V. <sup>(6) (iv)</sup>	Mexico	100
<b>c/o 251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
Food Works of Mexico, S. de R.L. de C.V. <sup>(6) (iv) (v)</sup>	Mexico	100
Food Works Services of Mexico, S. de R.L. De C.V. <sup>(6) (iv) (v)</sup>	Mexico	100
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>		
Aurora Holdco B.V.	Netherlands	100
CGI Holdings (2) B.V.	Netherlands	100
Compass Group Holding B.V.	Netherlands	100
Compass Group International 10 B.V. <sup>(6)</sup>	Netherlands	100
Compass Group International 2 B.V.	Netherlands	100
Compass Group International 3 B.V.	Netherlands	100
Compass Group International 4 B.V.	Netherlands	100
Compass Group International 5 B.V.	Netherlands	100
Compass Group International 6 B.V. <sup>(6)</sup>	Netherlands	100
Compass Group International 9 B.V.	Netherlands	100
Compass Group International ESS Shanghai B.V.	Netherlands	100
Compass Group International Finance 1 B.V.	Netherlands	100
Compass Group International Finance 2 B.V.	Netherlands	100
Compass Group Shanghai Eurest B.V. <sup>(6)</sup>	Netherlands	100
Compass Group Vending Holding B.V.	Netherlands	100
Compass Hotels Chertsey B.V.	Netherlands	100
Eurest Support Services (ESS) B.V.	Netherlands	100
Eurest Support Services Sakhalin B.V. <sup>(6)</sup>	Netherlands	100
Stitching Forte International	Netherlands	100
<b>Luzernestraat 57, 2153 GM, Nieuw-Vannep, Netherlands</b>		
Famous Flavours B.V. <sup>(viii)</sup>	Netherlands	100
<b>Stationsweg 95, 6711 PM Ede, Netherlands</b>		
Xandrión B.V.	Netherlands	100
<b>85 Avenue du Général de Gaulle, Immeuble Carcopino 3000, BP 2353, 98846 Nouméa Cedex, New Caledonia</b>		
Eurest Caledonie SARL <sup>(6)</sup>	New Caledonia	100
<b>Level 3, 15 Sultan Street, Ellerslie 1051, New Zealand</b>		
Compass Group New Zealand Limited	New Zealand	100
Crothall Services Group Limited <sup>(6)</sup>	New Zealand	100
Eurest NZ Limited <sup>(6)</sup>	New Zealand	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway</b>		
Compass Holding Norge A/S	Norway	100
Eurest A/S <sup>(iii) (iv)</sup>	Norway	100
<b>Forusparken 2, 4031 Stavanger, Postboks 8083 Stavanger Postterminal, 4068, Stavanger, Norway</b>		
ESS Mobile Offshore Units A/S	Norway	100
ESS Support Services A/S	Norway	100
<b>1<sup>st</sup> Floor, Danaya Haus, Gabaka Street, Gordons, National Capital District, Papua New Guinea</b>		
Eurest (PNG) Catering & Services Ltd <sup>(i)</sup>	Papua New Guinea	100
<b>U1409 14<sup>th</sup> Floor, Robinsons Equitable Tower, #4 ADB Avenue, cor. Poveda Street, Ortiga Center, Pasig City, Philippines</b>		
Compass Group Philippines Inc <sup>(ii)</sup>	Philippines	100
<b>Ul. Olbrachta 94, 01-102 Warszawa, Poland</b>		
Compass Group Poland Sp. Z o.o.	Poland	100
<b>Edificio Prime, Avenida da, Quinta Grande, 53-60, Alfragide 2614-521 Amadora, Portugal</b>		
Eurest (Portugal) – Sociedade Europeia de Restaurantes, Lda.	Portugal	100
Eurest Catering & Services Group Portugal, Lda.	Portugal	100
Eurest Holding, SGPS, Unipessoal Lda.	Portugal	100
<b>București Sectorul 4, Strada Sold., Ilie Șerban, Nr. 8B., Romania</b>		
Eurest ROM SRL	Romania	100
<b>7 Gashka Street, Bld. 1, 123056, Moscow, Russia</b>		
Aurora Rusco OOO	Russia	100
<b>Prospect Vernadskogo, 103-2, 119526 Moscow, Russia</b>		
Compass Group Rus OOO	Russia	100
<b>11 Changi South Street 3, Builders Shop Building, #04-02/03, 486122, Singapore</b>		
Compass Group (Singapore) PTE Ltd <sup>(iii) (iv)</sup>	Singapore	100
SHRM Far East Pte Ltd <sup>(ii)</sup>	Singapore	100
<b>8 Marina Boulevard, # 05-02, Marina Bay Financial Centre, 018981, Singapore</b>		
Compass Group Asia Pacific PTE. Ltd	Singapore	100
<b>Karadžičova 2, Staré mesto, 811 09 Bratislava, Slovakia</b>		
Compass Group Slovakia s. r. o.	Slovakia	100
<b>22 Milkyway Avenue, Linbro Park, Sandton, Guateng, 2090, South Africa</b>		
Firhold (Proprietary) Limited <sup>(i)</sup>	South Africa	100
Makhugiso Investments (Proprietary) Limited <sup>(iii)</sup>	South Africa	100
<b>Calle Frederic Mompou 5, planta 5<sup>a</sup>, Edificio Euro 3, 08960, San Just Desvern, Barcelona, Spain</b>		
Asistentes Escolares, S.L.	Spain	100
Eurest Catalunya, S.L.U.	Spain	100
Medirest Social Residencias, S.L.U.	Spain	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Calle Pinar de San Jose 98, Planta 1<sup>a</sup>, 28054, Madrid, Spain</b>		
Eurest Club de Campo, S.L.U.	Spain	100
Eurest Servicios FERIALES, S.L.U.	Spain	100
<b>Poligono Ugaldeguren 1, Parcela 7, 48160 Derio (Vizcaya), Spain</b>		
Eurest Euskadi S.L.U.	Spain	100
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Baleares, Spain</b>		
Levy Compass Group Holdings, S.L.	Spain	100
<b>Box 1222, 164 28, Kista, Sweden</b>		
Compass Group AB	Sweden	100
Compass Group Sweden AB	Sweden	100
<b>c/o BDO AG, Industriestrasse 53 6312 Steinhausen Switzerland</b>		
Creative New Food Dream Steam GmbH	Switzerland	100
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>		
Eurest Services (Switzerland) AG	Switzerland	100
<b>c/o Ueltschi Solutions GmbH, Gwattstrasse 8, CH-3185 Schmitten, Switzerland</b>		
Sevita AG <sup>(ii)</sup>	Switzerland	100
Sevita Group GmbH	Switzerland	100
<b>100/97 Vongyanij Complex Building B, 29<sup>th</sup> Floor, Rama 9 Road, Huay-Kwang, Bangkok 10310, Thailand</b>		
Compass Group Services Co., Ltd <sup>(iii)</sup>	Thailand	100
Eurasia Holdings Co., Ltd	Thailand	100
Eurasia Services Co., Ltd	Thailand	100
Eurasia Management (Thailand) Co., Ltd	Thailand	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 12, 34752 Atasehir, Istanbul, Turkey</b>		
Euroserve Güvenlik A.Ş.	Turkey	100
Euroserve Hizmet ve İşletmecilik A.Ş.	Turkey	100
<b>Dubai Airport Free Zone, Dubai, United Arab Emirates</b>		
Compass Camea FZE	UAE	100
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, England, United Kingdom</b>		
14Forty Limited <sup>(ii)</sup>	UK	100
3 Gates Services Limited <sup>(ii)</sup>	UK	100
A.C.M.S. Limited <sup>(ii)</sup>	UK	100
Bateman Catering Limited <sup>(ii) (iii)</sup>	UK	100
Bateman Healthcare Services Limited <sup>(ii)</sup>	UK	100
Baxter and Platts Limited <sup>(ii) (iv) (v)</sup>	UK	100
Bromwich Catering Limited <sup>(ii)</sup>	UK	100
Business Clean Limited <sup>(ii)</sup>	UK	100
Capitol Catering Management Services Limited	UK	100
Carlton Catering Partnership Limited <sup>(ii) (iii)</sup>	UK	100
Castle Independent Limited	UK	100
Cataforce Limited <sup>(ii)</sup>	UK	100
Caterexchange Limited <sup>(ii)</sup>	UK	100
Caterskill Group Limited <sup>(ii)</sup>	UK	100

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
Caterskill Management Limited <sup>(a)</sup>	UK	100	Kennedy Brookes Finance Limited <sup>(a)</sup>	UK	100
Chalk Catering Ltd <sup>(a)</sup>	UK	100	Knott Hotels Company of London <sup>(a)</sup>	UK	100
Chartwells Limited <sup>(a)</sup>	UK	100	Langston Scott Limited <sup>(a)</sup>	UK	100
Circadia Limited <sup>(a)</sup>	UK	100	Leisure Support Services Limited <sup>(a) (vii)</sup>	UK	100
Cleaning Support Services Limited <sup>(a)</sup>	UK	100	Leith's Limited <sup>(a)</sup>	UK	100
Compass Accounting Services Limited <sup>(a)</sup>	UK	100	Meal Service Company Limited <sup>(a)</sup>	UK	100
Compass Catering Services Limited <sup>(a)</sup>	UK	100	Milburns Catering Contracts Limited <sup>(a)</sup>	UK	100
Compass Cleaning Services Limited <sup>(a)</sup>	UK	100	Milburns Limited <sup>(a)</sup>	UK	100
Compass Contract Services Limited <sup>(a)</sup>	UK	100	Milburns Restaurants Limited <sup>(a) (viii)</sup>	UK	100
Compass Contracts UK Limited <sup>(a) (viii)</sup>	UK	100	National Leisure Catering Limited <sup>(a)</sup>	UK	100
Compass Experience Limited <sup>(a) (vii)</sup>	UK	100	NLC (Holdings) Limited <sup>(a)</sup>	UK	100
Compass Food Services Limited	UK	100	NLC (Wembley) Limited <sup>(a)</sup>	UK	100
Compass Group Medical Benefits Limited <sup>(a)</sup>	UK	100	P&C Morris (Catering) Ltd <sup>(a) (vii)</sup>	UK	100
Compass Mobile Catering Limited <sup>(a)</sup>	UK	100	P & C Morris Catering Group Limited <sup>(a)</sup>	UK	100
Compass Office Cleaning Services Limited <sup>(a)</sup>	UK	100	Payne & Gunter Limited	UK	100
Compass Payroll Services Limited <sup>(a)</sup>	UK	100	PDM Training and Compliance Services Limited <sup>(a)</sup>	UK	100
Compass Planning and Design Limited <sup>(a)</sup>	UK	100	Pennine Services Limited <sup>(a)</sup>	UK	100
Compass Restaurant Properties Limited <sup>(a) (vii)</sup>	UK	100	Peter Parfitt Leisure Overseas Travel Limited	UK	100
Compass Road Services Limited <sup>(a)</sup>	UK	100	Peter Parfitt Sport Limited <sup>(a) (vii)</sup>	UK	100
Compass Security Limited <sup>(a) (vii)</sup>	UK	100	PPP Infrastructure Management Limited	UK	100
Compass Services (Midlands) Limited <sup>(a)</sup>	UK	100	Prideoak Limited <sup>(a)</sup>	UK	100
Compass Services for Hospitals Limited <sup>(a) (viii)</sup>	UK	100	QCL Limited <sup>(a)</sup>	UK	100
Compass Services Group Limited	UK	100	Reliable Refreshments Limited	UK	100
Compass Services Limited <sup>(a)</sup>	UK	100	Rhine Four Limited <sup>(a) (vii)</sup>	UK	100
Compass Services Trading Limited <sup>(a)</sup>	UK	100	Roux Fine Dining Limited <sup>(a)</sup>	UK	100
Compass Services, UK and Ireland Limited	UK	100	Security Office Cleaners Limited <sup>(a)</sup>	UK	100
Compass Staff Services Limited <sup>(a)</sup>	UK	100	Selkirk House (CVH) Limited <sup>(a)</sup>	UK	100
Cookie Jar Limited <sup>(a)</sup>	UK	100	Selkirk House (FP) Limited <sup>(a) (vii) (viii) (ix)</sup>	UK	100
CRBS Resourcing Limited <sup>(a)</sup>	UK	100	Selkirk House (GHPL) Limited <sup>(a) (viii)</sup>	UK	100
CRN 1990 (Four) Limited <sup>(a)</sup>	UK	100	Selkirk House (GTP) Limited <sup>(a)</sup>	UK	100
Customised Contract Catering Limited <sup>(a)</sup>	UK	100	Selkirk House (WBRK) Limited	UK	100
Cygnat Food Holdings Limited <sup>(a)</sup>	UK	100	Shaw Catering Company Limited	UK	100
Cygnat Foods Limited	UK	100	Ski Class Limited <sup>(a)</sup>	UK	100
DRE Developments Limited <sup>(a)</sup>	UK	100	Solutions on Systems Ltd <sup>(a)</sup>	UK	100
Eaton Catering Limited <sup>(a)</sup>	UK	100	Summit Catering Limited	UK	100
Eaton Wine Bars Limited <sup>(a)</sup>	UK	100	Sunway Contract Services Limited	UK	100
Eurest Airport Services Limited <sup>(a)</sup>	UK	100	Sutcliffe Catering Midlands Limited <sup>(a)</sup>	UK	100
Eurest Defence Support Services Limited <sup>(a)</sup>	UK	100	Sutcliffe Catering South East Limited <sup>(a)</sup>	UK	100
Eurest Offshore Support Services Limited <sup>(a) (viii)</sup>	UK	100	Sycamore Newco Limited	UK	100
Eurest Prison Support Services Limited <sup>(a)</sup>	UK	100	The Bateman Catering Organization Limited <sup>(a) (viii)</sup>	UK	100
Eurest UK Limited <sup>(a)</sup>	UK	100	The Cuisine Centre Limited <sup>(a)</sup>	UK	100
Everson Hewett Limited <sup>(a) (vii)</sup>	UK	100	THF Oil Limited <sup>(a)</sup>	UK	100
Facilities Management Catering Limited <sup>(a)</sup>	UK	100	Tunco (1999) 103 Limited <sup>(a)</sup>	UK	100
FADS Catering Limited <sup>(a)</sup>	UK	100	Vendepac Holdings Limited <sup>(viii)</sup>	UK	100
Fairfield Catering Company Limited <sup>(a)</sup>	UK	100	Vision Security Group Limited	UK	100
Fingerprint Managed Services Limited <sup>(a)</sup>	UK	100	Vision Security Group Systems Limited	UK	100
Foodbuy Europe Limited <sup>(a) (vii)</sup>	UK	100	VSG Holdings Limited <sup>(a)</sup>	UK	100
Funpark Caterers Limited <sup>(a) (vii)</sup>	UK	100	VSG Investments Limited <sup>(a)</sup>	UK	100
Goodfellows Catering Management Services Limited	UK	100	VSG Payroll Services Limited <sup>(a)</sup>	UK	100
Gruppo Events Limited <sup>(a)</sup>	UK	100	VSG Staff Hire Limited <sup>(a)</sup>	UK	100
Hallmark Catering Management Limited <sup>(a)</sup>	UK	100	VSG Systems Direct Limited <sup>(a)</sup>	UK	100
Hamard Catering Management Services Limited <sup>(a) (vii)</sup>	UK	100	Waseley Fifteen Limited <sup>(a)</sup>	UK	100
Hamard Group Limited <sup>(a)</sup>	UK	100	Waseley Nominees Limited <sup>(a)</sup>	UK	100
Henry Higgins Limited <sup>(a)</sup>	UK	100	Wembley Sports Arena Limited <sup>(a)</sup>	UK	100
Hospital Hygiene Services Limited <sup>(a)</sup>	UK	100	Wheeler's Restaurants Limited <sup>(a) (vii)</sup>	UK	100
ICM Five Star Limited <sup>(a)</sup>	UK	100	Woodin & Johns Limited	UK	100
Integrated Cleaning Management Limited	UK	100			
Integrated Cleaning Management Support Services Limited	UK	100			
Keith Prowse Limited <sup>(a)</sup>	UK	100			



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, England, United Kingdom</b>		
Audrey (London) Limited <sup>(a)</sup>	UK	100
Audrey Investments Limited <sup>(a)</sup>	UK	100
Bateman Services Limited <sup>(a)</sup>	UK	100
Compass Group Capital No.1 <sup>(a)</sup>	UK	100
Compass Group Capital No.2 <sup>(a)</sup>	UK	100
Compass Group Capital No.3 <sup>(a)</sup>	UK	100
Compass Group Capital No.4 <sup>(a)</sup>	UK	100
Compass Group Capital No.5 <sup>(a)</sup>	UK	100
Compass Group Capital No.6 <sup>(a)</sup>	UK	100
Compass Group Capital No.7 <sup>(a)</sup>	UK	100
Compass Group Capital No.8 <sup>(a)</sup>	UK	100
Compass Group Capital No.9 <sup>(a)</sup>	UK	100
Compass Group Capital No.10 <sup>(a)</sup>	UK	100
Compass Group Capital No.11 <sup>(a)</sup>	UK	100
Compass Group Capital No.12 <sup>(a)</sup>	UK	100
Compass Group Capital No.13 <sup>(a)</sup>	UK	100
Compass Group Capital No.14 <sup>(a)</sup>	UK	100
Compass Group Capital No.15 <sup>(a)</sup>	UK	100
Compass Group Capital No.16 <sup>(a)</sup>	UK	100
Compass Group Finance No.2 Limited <sup>(a)</sup>	UK	100
Compass Group Finance No.3 Limited	UK	100
Compass Group Finance No.4 Limited <sup>(a) (b) (c) (d)</sup>	UK	100
Compass Group Finance No.5 Limited <sup>(a) (c)</sup>	UK	100
Compass Group North America Investments No.2	UK	100
Compass Group North America Investments Limited	UK	100
Compass Group Pension Trustee Company Limited <sup>(a)</sup>	UK	100
Compass Group Trustees Limited <sup>(a)</sup>	UK	100
Compass Healthcare Group Limited <sup>(a) (c)</sup>	UK	100
Compass Hospitality Group Holdings Limited <sup>(a)</sup>	UK	100
Compass Hospitality Group Limited <sup>(a)</sup>	UK	100
Compass Hotels Chertsey <sup>(a)</sup>	UK	100
Compass Nominee Company Number Fourteen Limited <sup>(a)</sup>	UK	100
Compass Overseas Holdings Limited	UK	100
Compass Overseas Holdings No.2 Limited	UK	100
Compass Overseas Services Limited <sup>(a)</sup>	UK	100
Compass Pension Trustees Limited <sup>(a)</sup>	UK	100
Compass Quest Limited <sup>(a)</sup>	UK	100
Compass Secretaries Limited <sup>(a)</sup>	UK	100
Compass Site Services Limited <sup>(a) (c)</sup>	UK	100
Compass UK Pension Trustee Co Limited <sup>(a)</sup>	UK	100
Crisp Trustees Limited <sup>(a)</sup>	UK	100
Gogmore <sup>(a)</sup>	UK	100
Meritglen Limited <sup>(a) (c) (d)</sup>	UK	100
New Famous Foods Limited <sup>(a)</sup>	UK	100
Nextonline Limited <sup>(a) (c)</sup>	UK	100
Riversdell <sup>(a)</sup>	UK	100
Sevita (UK) Limited	UK	100
The Excelsior Insurance Company Limited	UK	100
<b>13 Carden Place, Aberdeen, AB10 1UR, Scotland, United Kingdom</b>		
CCG (UK) Ltd <sup>(a)</sup>	UK	100
Coffee Partners Limited <sup>(a)</sup>	UK	100
Compass Offshore Catering Limited <sup>(a) (c)</sup>	UK	100
Compass Scottish Site Services Limited <sup>(a)</sup>	UK	100
Waseley (CVI) Limited <sup>(a)</sup>	UK	100
Waseley (CVS) Limited <sup>(a)</sup>	UK	100

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>1 Cromac Quay, Cromac Wood, Belfast, Northern Ireland, BT7 2JD, United Kingdom</b>		
Lough Erne Holiday Village Limited <sup>(a)</sup>	UK	100
<b>8040 Excelsior Drive, Suite 400, Madison, WI 53717, USA</b>		
Ace Foods, Inc.	USA	100
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
Affiliated Purchasing Services, Inc.	USA	100
Bon Appétit Management Company Foundation	USA	100
CulinArt of California, Inc.	USA	100
Rainbow Vending, Inc.	USA	100
Cosmopolitan of CA, LLC	USA	100
<b>211 E. 7<sup>th</sup> Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Barco Restaurants of Texas LLC	USA	100
Morrison's Health Care of Texas, Inc.	USA	100
University Food Services, Inc.	USA	100
Levy Premium Foodservice, L.L.C. <sup>(a)</sup>	USA	100
<b>2345 Rice Street, Suite 230, Roseville, MN 55113, USA</b>		
Best Vendors Consolidation Services, LLC	USA	100
Best Vendors Management Company, Inc.	USA	100
Best Vendors, LLC	USA	100
Street Eats Limited	USA	100
Visinity, LLC	USA	100
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
Best Vendors Management, Inc.	USA	100
Cataforce, Inc.	USA	100
Compass Independent Corp.	USA	100
Compass LCS, LLC	USA	100
Compass LV, LLC	USA	100
Compass Paramount, LLC	USA	100
Concierge Consulting Services, LLC	USA	100
Convenience Foods International, Inc.	USA	100
Crothall Healthcare Inc.	USA	100
Crothall Laundry Services Inc.	USA	100
Eurest Services, Inc.	USA	100
Facilities Holdings, LLC	USA	100
Flik Lifestyles, LLC	USA	100
Flik One, LLC	USA	100
Levy Oklahoma, Inc.	USA	100
Levy Premium Foodservice, Inc. <sup>(a)</sup>	USA	100
Levy Prom Golf, LLC	USA	100
Levy Sports & Entertainment, Inc.	USA	100
Morrison Investment Company, Inc.	USA	100
RAC Holdings Corp. <sup>(a)</sup>	USA	100
Rank + Rally, LLC	USA	100
Touchpoint Support Services, LLC	USA	100
University Food Services, LLC	USA	100
Vendlink, LLC	USA	100
Yorkmont Four, Inc.	USA	100

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING	OTHER WHOLLY OWNED SUBSIDIARIES	COUNTRY OF INCORPORATION	% HOLDING
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			<b>50 West Broad Street, Suite 1330, Columbus, OH 43215, USA</b>		
Bistro Restaurant Limited Partnership	USA	100	Cuyahoga Dining Services, Inc.	USA	100
Curiology, LLC	USA	100	<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
E15, LLC	USA	100	Food Services Management By Mgr, LLC	USA	100
Levy (Events) Limited Partnership	USA	100	Morrison Alumni Association, Inc.	USA	100
Levy (IP) Limited Partnership	USA	100	The M-Power Foundation, Inc.	USA	100
Levy Food Service Limited Partnership	USA	100	<b>Princeton South Corporate Ctr, Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628, USA</b>		
Levy GP Corporation	USA	100	Gourmet Dining, LLC	USA	100
Levy Holdings GP, Inc.	USA	100	<b>300 Deschutes Way SW, Suite 304, Tumwater, WA 98501, USA</b>		
Levy Illinois Limited Partnership	USA	100	Inter Pacific Management, Inc.	USA	100
Levy Premium Foodservice Limited Partnership	USA	100	<b>2900 SW Wanamaker Drive, Suite 204, Topeka, KS 66614, USA</b>		
Levy R & H Limited Partnership	USA	100	PFM Kansas, Inc.	USA	100
Levy World Limited Partnership	USA	100	<b>2338 W. Royal Palm Road, Suite J, Phoenix, AZ 85021, USA</b>		
Professional Sports Catering, LLC	USA	100	Prodine, Inc.	USA	100
Restaurant One Limited Partnership	USA	100	Sacco Dining Services, Inc.	USA	100
Superior Limited Partnership	USA	100	<b>2908 Poston Avenue, Nashville, TN 37203, USA</b>		
<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>			<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
Bon Appétit Maryland, LLC	USA	100	Statewide Services, Inc.	USA	100
<b>1156 Bowman Road, Suite 208, MT Pleasant, South Carolina 29464, USA</b>			<b>1709 North 19<sup>th</sup> Street, Suite 3, Bismarck, ND 58501-2121, USA</b>		
CGSC Capital, Inc.	USA	100	Compass ND, LLC	USA	100
<b>501 Louisiana Avenue, Baton Rouge, LA 70802-5921, USA</b>			<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>		
Coastal Food Service, Inc.	USA	100	COUNTRY OF INCORPORATION OR ESTABLISHMENT		
S.H.R.M. Catering Services, Inc.	USA	100	%		
<b>80 State Street, Albany, NY 12207-2543, USA</b>			HOLDING		
Coffee Distributing Corp.	USA	100	<b>Rua Dr. Ayres de Menezes Street, No.120, District Maianga, Maianga Municipality, Luanda, Angola</b>		
CulinArt Group, Inc.	USA	100	Express Support Services, Limitada	Angola	49
CulinArt, Inc.	USA	100	<b>Ground Floor 35 – 51 Mitchell Street, McMahon's Point NSW 2060, Australia</b>		
Mazzone Hospitality, LLC	USA	100	ESS Eastern Guruma PTY Ltd	Australia	60
Quality Food Management, Inc.	USA	100	ESS Gumala PTY Ltd	Australia	60
RA Tennis Corp.	USA	100	ESS NYFL PTY Ltd	Australia	60
RANYST, Inc.	USA	100	<b>Level 3, 12 Newcastle Street, East Perth, WA, 6004, Australia</b>		
Restaurant Associates Events Corp.	USA	100	ESS Kokatha PTY Ltd <sup>(a)</sup>	Australia	60
Restaurant Associates LLC	USA	100	<b>Level 3, 12 Newcastle Street, Perth 6000, Australia</b>		
Restaurant Associates, Inc.	USA	100	ESS Thalanyji PTY Ltd	Australia	60
Restaurant Services Inc.	USA	100	ESS Larrakia PTY Ltd	Australia	50
<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>			<b>100 North Main Street, Suite 2, Barre, VT 05641, USA</b>		
Compass 2K12 Services, LLC	USA	100	Compass Vermont, Inc.	USA	100
Compass HE Services, LLC	USA	100	<b>2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, USA</b>		
Compass One, LLC	USA	100	<b>Crothall Facilities Management, Inc.</b>		
Compass Two, LLC	USA	100	USA		
<b>100 North Main Street, Suite 2, Barre, VT 05641, USA</b>			100		
<b>2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, USA</b>			<b>Custom Management Corporation Of Pennsylvania</b>		
<b>Crothall Facilities Management, Inc.</b>			USA		
<b>Custom Management Corporation Of Pennsylvania</b>			100		
<b>Morrison's Custom Management Corporation of Pennsylvania</b>			USA		
<b>Newport Food Service, Inc.</b>			100		
<b>Williamson Hospitality Services, Inc.</b>			USA		
			100		

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For the year ended 30 September 2017

## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Lvl 46, 19-29 Martin Place, Sydney NSW, Australia</b>		
Convention Centre Management PTY Ltd	Australia	40
<b>AZ1010, Baku City, Yasamal District, Jafar Jabbarli, House 44, Caspian Plaza, Baku 1065, Azerbaijan</b>		
ESS LLC	Azerbaijan	50
ESS Support Services LLC	Azerbaijan	50
ESS-AZ LLC	Azerbaijan	50
<b>c/o Dessert Secretarial Services, Deloitte and Touche House Plot 50664, Fairgrounds Office Park PO Box 211008, Botleng, Botswana</b>		
Compass Botswana (PTY) Ltd <sup>(a)</sup>	Botswana	45
<b>1 Main Street, General Delivery, Gull Bay, Ontario, P0T 1P0, Canada</b>		
Amik Catering LP <sup>(a)</sup>	Canada	49
<b>Clearwater River Dene Nation Reserve No. 222, P.O. Box 5050, Clearwater, Saskatchewan, SOM 3H0, Canada</b>		
Clearwater Catering Limited <sup>(a) (a) (a)</sup>	Canada	49
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario, L5W 0G2, Canada</b>		
Compass Group Sports and Entertainment – (Quebec) <sup>(a)</sup>	Canada	67
ECC – ESS Support Services <sup>(a)</sup>	Canada	50
Dease River – ESS Support Services <sup>(a)</sup>	Canada	49
Dene West Limited Partnership <sup>(a)</sup>	Canada	49
ECC – Mi'kmaq Support Services <sup>(a)</sup>	Canada	49
ESS – DNDC Support Services <sup>(a)</sup>	Canada	49
ESS – Duncan's and Paddle Prairie Support Services <sup>(a)</sup>	Canada	49
ESS – East Arm Camp Services <sup>(a)</sup>	Canada	49
ESS – Kaatodh Camp Services <sup>(a)</sup>	Canada	49
ESS – Loon River Support Services <sup>(a)</sup>	Canada	49
ESS – Missanabie Cree Support Services <sup>(a)</sup>	Canada	49
ESS – Na Cho Nyak Dun Camp Services <sup>(a)</sup>	Canada	49
ESS – Ochapowace Support Services <sup>(a)</sup>	Canada	49
ESS – Pessamit Camp Services <sup>(a)</sup>	Canada	49
ESS – Wapan Manawan Services de Soutien <sup>(a)</sup>	Canada	49
KDM – ESS Support Services <sup>(a)</sup>	Canada	49
ESS Duncan's Support Services <sup>(a)</sup>	Canada	49
ESS Haisla Support Services <sup>(a)</sup>	Canada	49
ESS HLFN Support Services <sup>(a)</sup>	Canada	49
ESS KNRA Support Services <sup>(a)</sup>	Canada	49
ESS Komatik Support Services <sup>(a)</sup>	Canada	49
ESS Liard First Nation Support Services <sup>(a)</sup>	Canada	49
ESS McKenzie Support Services <sup>(a)</sup>	Canada	49
ESS Okanagan Indian Band Support Services <sup>(a)</sup>	Canada	49
ESS Tataskweyak Camp Services <sup>(a)</sup>	Canada	49
ESS/Bushmaster Camp Services <sup>(a)</sup>	Canada	49
ESS/Fort a la Corne Support Services <sup>(a)</sup>	Canada	49
ESS/McLeod Lake Indian Band Support Services <sup>(a)</sup>	Canada	49
ESS/Mosakahiken Cree Nation Support Services <sup>(a)</sup>	Canada	49
ESS/Nuvmiut Support Services <sup>(a)</sup>	Canada	49
ESS/Takla Lake Support Services <sup>(a)</sup>	Canada	49
ESS/WEDC Support Services <sup>(a)</sup>	Canada	49
First North Catering <sup>(a)</sup>	Canada	49
Mi'kmaq-ECC Nova Scotia Support Services <sup>(a)</sup>	Canada	49
Naskapi Traiteur S.E.C. <sup>(a)</sup>	Canada	49
Popular Point Camp Services <sup>(a)</sup>	Canada	49

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>		
Labrador Catering Inc	Canada	49
Labrador Catering LP <sup>(a)</sup>	Canada	49
Naskapi Catering Inc <sup>(a)</sup>	Canada	24
<b>P.O. Box 5111, Kawawachikamach, Quebec, G0G 2Z0, Canada</b>		
Naskapi Catering Inc LP <sup>(a)</sup>	Canada	24
<b>Room 234, No.195, Bong Xing Road, Pudong New District, China</b>		
Shanghai ESS Support Services Co., Ltd. <sup>(a)</sup>	China	83
<b>FO-110, Torshavn, Faroe Islands</b>		
P/F Eurest Froyar	Denmark	53
<b>9 Damascus St, Mohandessin – Giza, Egypt</b>		
Compass Egypt for Hotel & Food Services SAE	Egypt	50
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>		
Sopregim SAS	France	80
<b>Schutterwälder Straße 1, 77656, Offenburg, Germany</b>		
Akzente Catering Offenburg GmbH	Germany	74
<b>Carl-Zeiss-Straße 37, 55129, Mainz, Germany</b>		
HSW Hausirtschaftsdienste Süd-West GmbH	Germany	49
<b>Steenbeker Weg 25, 24106, Kiel, Germany</b>		
Lubinus – orgaMed Sterilgut GmbH	Germany	49
<b>Seiwa Ikebukuro Building, 3-13-3, Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-0013, Japan</b>		
Chiyoeda Kyushoku Services Co., Ltd	Japan	90
<b>118, Yatsurugi 2-chome, Moriyama-ku, Nagoya-City, Aichi-Prefecture, 463-0022, Japan</b>		
Seiyo General Food Co., Ltd	Japan	50
<b>060011, Atyrauskaya Oblast, Atyrau city, Beibarys Sultan avenue 506. Kazakhstan</b>		
KazMunaiGas Service – Compass LLP	Kazakhstan	60
<b>64 Old Airport Road, Atyrau, 060011, Kazakhstan</b>		
Too Eurest Support Services Company B LLP	Kazakhstan	50
<b>c/o GH, PO Box 8820, Maseru 100, Lesotho</b>		
Compass Group Lesotho (PTY) Ltd <sup>(a)</sup>	Lesotho	75
<b>10A Rue Henri Schnadt, L-2530, Luxembourg</b>		
Geria SA	Luxembourg	25
<b>c/o Sucoma Sugar Estate, Chikwawa, Malawi</b>		
Compass Group (PTY) Ltd <sup>(a)</sup>	Malawi	75
Compass Malawi (Pty) Ltd <sup>(a)</sup>	Malawi	75

### 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING	OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Level 18 The Gardena North Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, 59200, Malaysia</b>			Siyeza Contract Cleaning Services (Proprietary) Limited <sup>(i)</sup>	South Africa	75
Restomas Sdn. Bhd. <sup>(ii)</sup>	Malaysia	70	Siyeza Labour Outsourcing Services (Proprietary) Limited <sup>(ii) (iii) (iv)</sup>	South Africa	75
EM-SSIS Services Sdn. Bhd. <sup>(ii)</sup>	Malaysia	42	Success Valet & Cleaning Services (Proprietary) Limited <sup>(ii)</sup>	South Africa	75
Urusan Bakti Sdn. Bhd. <sup>(ii)</sup>	Malaysia	35	Supercare Financial Services (Proprietary) Limited	South Africa	75
			Supercare Hygiene (Proprietary) Limited <sup>(ii) (iv)</sup>	South Africa	75
<b>#C-G-03, Blok C, Tropez Residen, Persiaran Danga Perdana, 80200 Johor Bharu, Malaysia</b>			Supercare Services (Proprietary) Limited <sup>(ii) (iv)</sup>	South Africa	75
Knusford Compass Sdn. Bhd.	Malaysia	49	Supercare Training Solutions (Proprietary) Limited <sup>(ii)</sup>	South Africa	75
			Supervision Food Services (Boputhatswana) (Proprietary) Limited <sup>(ii)</sup>	South Africa	75
<b>51/52 II Piazzetta, Valletta, Malta</b>			Supervision Food Services (Gazankulu) (Proprietary) Limited <sup>(ii)</sup>	South Africa	75
Eurest (Malta) Ltd <sup>(ii) (iii)</sup>	Malta	51	Gourmet Prepared Foods (Proprietary) Limited <sup>(ii)</sup>	South Africa	56
			All Leisure Travel (Proprietary) Limited <sup>(ii)</sup>	South Africa	52
<b>DTOS Limited 10<sup>th</sup> Floor, Raffles, Tower 19, Cybercity, Ebene, Mauritius</b>			ESS Oil & Gas Support Service Partners (Proprietary) Limited <sup>(ii)</sup>	South Africa	52
Eurest Support Services (Mauritius) (Pty) Ltd <sup>(ii)</sup>	Mauritius	75	Eurest Support Services Coega (Proprietary) Limited <sup>(ii)</sup>	South Africa	52
			Gourmet Fresh (Proprietary) Limited	South Africa	52
<b>1 Avenue Henri Dunant, Palais De La Scala, 3eme Etage – No 1125, 98000 MC, Monaco</b>			Main Street 917 (Proprietary) Limited	South Africa	41
Eurest Monaco S.A. <sup>(ii)</sup>	Monaco	99.99	Maabokgoro-KSS Catering Services (Proprietary) Limited <sup>(ii)</sup>	South Africa	38
			Women's Sunshine KKS Foodservices (Proprietary) Limited <sup>(ii)</sup>	South Africa	38
<b>c/o G Banze, Karl Marx no. 502, 2<sup>nd</sup> Floor No. 7, Maputo, Mozambique</b>			Bafokeng Hospitality Services (Pty) Ltd <sup>(ii)</sup>	South Africa	37
Eurest Support Services Mozambique Ltda <sup>(ii)</sup>	Mozambique	45	KKS Daluxolo Food Services (Proprietary) Limited	South Africa	37
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>			<b>c/o PKF PE, 27 Newton Street, Newton Park, 6055, South Africa</b>		
Compass Group International Coöperatief W.A. <sup>(ii)</sup>	Netherlands	100	Comet International Proprietary Limited <sup>(ii)</sup>	South Africa	38
Compass Group International Coöperatief 2 W.A. <sup>(ii)</sup>	Netherlands	100			
Compass Group International Coöperatief 3 W.A. <sup>(ii)</sup>	Netherlands	100	<b>28 Van Riebeeck Street, Ogies, Mpumalanga, 2230, South Africa</b>		
Compass Group International Finance C.V. <sup>(ii)</sup>	Netherlands	100	UJU ESS Services Proprietary Limited	South Africa	37
<b>Okesnoyveien 16, 1366, Lysaker, 1366, Norway</b>			<b>Calle Pinar de San Jose 98, Planta 1a, 28054, Madrid, Spain</b>		
Forplejningstjenester A/S	Norway	33.33	Gourmet on Wheels, S.L.U.	Spain	60
<b>c/o Scandic Hotels AS, Karenslyst allé 11, 0278, Oslo, Norway</b>			<b>c/o PKF, Cnr Masalesikhundleni &amp; Mbhabha Streets, PO BOX 1220, Swaziland</b>		
Gress-Gruppen A/S	Norway	33.33	Compass Swaziland (Pty) Limited <sup>(ii)</sup>	Swaziland	75
<b>1<sup>st</sup> Floor, Danaya Haus, Gabaka Street, Gordons, National Capital District, Papua New Guinea</b>			<b>c/o Deloitte &amp; Touche, 10<sup>th</sup> Floor PPF Building, PO Box 1559, Dar Es Salaam, United Republic of Tanzania</b>		
Eurest OKAS Catering Ltd <sup>(ii)</sup>	Papua New Guinea	55	Compass Group Tanzania Ltd <sup>(ii)</sup>	Tanzania	75
Eurest Lotic (PNG) JV Ltd <sup>(ii)</sup>	Papua New Guinea	50			
<b>2 Floor, Al Mana Commercial Tower, C-Ring road, Doha, P O BOX 22481, Qatar</b>			<b>Office No. 204, Mawilah, Al Sharjah, P O Box: 1897, United Arab Emirates</b>		
Compass Catering Services WLL	Qatar	20	Abu Dhabi National Hotels – Compass LLC	UAE	50
<b>PO Box 31952, Al Khobar 31685 KSA, Saudi Arabia</b>			<b>Abu Dhabi National Hotels Company Building, Sheikh Rashid Bin Saeed Al Maktoum Street, Abu Dhabi, United Arab Emirates</b>		
Compass Arabia LLC	Saudi Arabia	30	Abu Dhabi National Hotels Compass Caterers LLC	UAE	50
			Abu Dhabi National Hotels Compass Middle East LLC	UAE	50
<b>22 Milkyway Avenue, Linbro Park, Sandton, Guateng, 2090, South Africa</b>			<b>The Owner Saeed Ahmed Ghash, Oud Metha Street Bur Dubai, P.O. BOX 31769 Dubai, United Arab Emirates</b>		
Compass Game Park Services (Proprietary) Ltd <sup>(ii)</sup>	South Africa	75	Abu Dhabi National Hotels – Compass Emirates LLC	UAE	50
Eurest Support Services Africa (Proprietary) Ltd <sup>(ii)</sup>	South Africa	75			
Hlanganani Fidelity Joint Venture (Proprietary) Limited <sup>(ii)</sup>	South Africa	75			
Isikhonyane Cleaning (Proprietary) Ltd	South Africa	75			
Lwezi Cleaning (Proprietary) Limited <sup>(ii)</sup>	South Africa	75			
Macand Enterprises 008 (Proprietary) Ltd <sup>(ii)</sup>	South Africa	75			
Ramiweb (Proprietary) Ltd	South Africa	75			
Siyeza Cleaning Services (Proprietary) Limited <sup>(ii) (iii) (iv)</sup>	South Africa	75			

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## 34 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC CONTINUED

### OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS

	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>Office No. 1 SH. Hamdan Bin Mohamed Building, Hamdan bin Mohamed St., Abu Dhabi, United Arab Emirates</b>		
Compass LLC	UAE	50

<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, England, United Kingdom</b>		
Chartwells Hounslow (Feeding Futures) Limited <sup>(a)</sup> <sup>(v)</sup>	UK	75
Eat Dot Limited <sup>(a)</sup> <sup>(vi)</sup>	UK	57.05
Quadrant Catering Limited <sup>(a)</sup> <sup>(vi)</sup>	UK	49
Quaglino's Limited	UK	99

<b>County Ground, Edgbaston, Birmingham, B5 7QU, United Kingdom</b>		
Edgbaston Experience Limited <sup>(a)</sup> <sup>(vi)</sup>	UK	25

<b>The Oval, Kennington, London, SE11 5SS, United Kingdom</b>		
Oval Events Holdings Limited <sup>(a)</sup> <sup>(v)</sup> <sup>(vi)</sup>	UK	37.5
Oval Events Limited <sup>(a)</sup> <sup>(v)</sup> <sup>(vi)</sup>	UK	37.5

<b>Ricoh Arena, Judds Lane, Longford, Coventry, England, CV6 6AQ, United Kingdom</b>		
IEC Experience Limited <sup>(a)</sup> <sup>(vi)</sup>	UK	23

<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>		
Levy Maryland, LLC	USA	74

<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
B & I Catering, LLC	USA	90
CMCA Catering, LLC	USA	90
PCHI Catering, LLC	USA	90
WPL, LLC	USA	90
Wolfgang Puck Catering at the Capital Wheel, LLC	USA	67.5
Levy LA Concessions, LLC	USA	62.5
Learfield Levy Foodservice, LLC	USA	50
Restaurant Services I, LLC	USA	50
Thompson Facilities Services LLC	USA	49
Thompson Hospitality Services, LLC	USA	49
WP Casual Catering, LLC	USA	45
Chicago Restaurant Partners, LLC	USA	42

<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
C&B Holdings, LLC	USA	90
H & H Catering, L.P.	USA	90

<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>		
Waveguide LLC	USA	57

<b>2215-B Renaissance Drive, Las Vegas, NV 89119, USA</b>		
GLV Restaurant Management Associates, LLC	USA	90

<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Wolfgang Puck Catering & Events of Texas, LLC	USA	90

### OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS

	COUNTRY OF INCORPORATION OR ESTABLISHMENT	% HOLDING
<b>980 N. Michigan Ave., Suite 400, Chicago, IL 60611, USA</b>		
Convention Hospitality Partners	USA	80
Atlanta Sports Catering	USA	50
Orlando Foodservice Partners	USA	50

<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
KIJIK/ESS, LLC	USA	80
Statewide/GanaAYoo JV	USA	50

<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>		
110 East Pearson Limited Partnership	USA	67
Park Concession Management, LLC	USA	50
Park Foodservice, LLC	USA	50.1

<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
Eversource LLC	USA	51

<b>120 W.45th Street, New York, NY 10036, USA</b>		
RA Patina, LLC	USA	50

<b>111 Eighth Avenue New York, NY 10011, USA</b>		
RA Patina Management LLC	USA	50

<b>1209 Orange Street, Wilmington, DE 19801, USA</b>		
AEG Facilities, LLC	USA	49

<b>6055 Lakeside Commons Drive, Suite 440, Macon, GA, 31210, USA</b>		
Kimco Holdings, LLC <sup>(a)</sup>	USA	20

<b>BDO Corporate Services, PO Box 35139, Lusaka, Zambia</b>		
Eurest Support Services Zambia Ltd <sup>(a)</sup>	Zambia	75

<b>c/o Theotis Chalwa &amp; Mataka, No 16 Katemo Road, Rhodespark, PO Box 35564, Lusaka, Zambia</b>		
Kagiso Khulani Supervision Zambia Ltd <sup>(a)</sup>	Zambia	74

### NOTES

1. Unless otherwise stated, indirectly owned by Compass Group PLC, active status and ordinary shares issued.
2. In some of the jurisdictions where we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as ordinary.
3. A number of the companies listed are legacy companies which no longer serve any operational purpose.

### CLASSIFICATIONS KEY

- (i) Directly owned by Compass Group PLC
- (ii) Dormant/non-trading
- (iii) A Ordinary shares
- (iv) B Ordinary shares
- (v) C Ordinary and/or Special shares
- (vi) D, E and/or F Ordinary shares
- (vii) Deferred shares
- (viii) Preference including cumulative, non-cumulative and redeemable shares
- (ix) Redeemable shares
- (x) No share capital, share of profits
- (xi) Limited by guarantee

## PARENT COMPANY BALANCE SHEET

For the year ended 30 September 2017

COMPASS GROUP PLC	NOTES	2017 £M	2016 £M
<b>FIXED ASSETS</b>			
Investments	2	1,017	1,003
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	3	9,913	11,322
Debtors: Amounts falling due after more than one year	3	139	184
Cash at bank and in hand		20	29
Current assets		10,072	11,535
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors: Amounts falling due within one year	4	(5,778)	(7,290)
<b>NET CURRENT ASSETS</b>			
Net current assets		4,294	4,245
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Total assets less current liabilities		5,311	5,248
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Creditors: Amounts falling due after more than one year	4	(3,289)	(3,060)
Provisions for liabilities	5	(31)	(31)
<b>NET ASSETS</b>			
<b>Net assets</b>		<b>1,991</b>	<b>2,157</b>
<b>EQUITY</b>			
Share capital	7	176	176
Share premium account		182	182
Capital redemption reserve		295	295
Share-based payment reserve		211	193
Profit and loss reserve		1,127	1,311
<b>Total equity</b>		<b>1,991</b>	<b>2,157</b>

Approved by the Board of Directors on 21 November 2017 and signed on its behalf by

**Richard Cousins**, Director

**Johnny Thomson**, Director



## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	CAPITAL REDEMPTION RESERVE £M	SHARE-BASED PAYMENT RESERVE £M	PROFIT AND LOSS RESERVE £M	TOTAL £M
<b>CAPITAL AND RESERVES</b>						
At 1 October 2015	176	182	295	179	1,684	2,516
Share buyback <sup>1</sup>	–	–	–	–	(100)	(100)
Fair value of share-based payments	–	–	–	16	–	16
Release of LTIP award settled by issue of shares	–	–	–	(2)	–	(2)
Issue of treasury shares to satisfy employee scheme awards exercised	–	–	–	–	3	3
Dividends paid to Compass shareholders	–	–	–	–	(496)	(496)
Profit for the financial year	–	–	–	–	220	220
At 30 September 2016	176	182	295	193	1,311	2,157
Share buyback <sup>1</sup>	–	–	–	–	(19)	(19)
Fair value of share-based payments	–	–	–	21	–	21
Use of treasury shares to satisfy employee share options	–	–	–	(3)	–	(3)
Dividends paid to Compass shareholders	–	–	–	–	(1,534)	(1,534)
Profit for the financial year	–	–	–	–	1,369	1,369
At 30 September 2017	176	182	295	211	1,127	1,991

1. Including stamp duty and brokers' commission.

## PARENT COMPANY ACCOUNTING POLICIES

For the year ended 30 September 2017

### INTRODUCTION

The significant accounting policies adopted in the preparation of the separate financial statements of Compass Group PLC (the Company) are set out below:

### A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

These financial statements are prepared in accordance with the historical cost convention, except as described in the accounting policy on financial instruments, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and in accordance with applicable United Kingdom laws. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These financial statements thus present information about the Company as an individual undertaking not as a Group undertaking. In the transition to FRS 101 in the year ended 30 September 2016, the Company applied IFRS 1 whilst ensuring that its assets and liabilities were measured in compliance with FRS 101.

These financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 33.

### B EXEMPTIONS

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2017. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- transactions with wholly owned subsidiaries
- capital management
- as required by IFRS 13 Fair value measurement and IFRS 7 Financial instrument disclosures
- the effect of new but not yet effective IFRSs
- disclosures in respect of compensation of key management personnel
- FRS 2 Share based payments in respect of Group settled share-based payments

### C CHANGE IN ACCOUNTING POLICIES

The Company has not applied any accounting standards for the first time in the year ended 30 September 2017.

### D INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments is not less than shown at the balance sheet date.

Investment income is measured at the fair value of the consideration received or receivable. It represents dividend income which is recognised when the right to receive payment is established.

### E FOREIGN CURRENCY

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Gains and losses arising on retranslation are included in the income statement for the period.

### F BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Borrowings that are part of a fair value hedge accounting relationship are measured at amortised cost plus or minus the fair value attributable to the risk being hedged.

### G DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. Derivative instruments utilised include interest rate swaps, currency swaps and forward currency contracts. The Company and Group policy is disclosed in the accounting policies to the consolidated financial statements.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions and derecognised when it ceases to be party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months of the balance sheet date. If not, they are recognised as non-current.

### H DIVIDENDS

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's shareholders. Interim dividends are recognised when paid.

### I DEFERRED TAX

Deferred tax is provided at the anticipated rates on temporary differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

## PARENT COMPANY ACCOUNTING POLICIES CONTINUED

For the year ended 30 September 2017

### J SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of the non market-based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes option pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions. An addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds. For details of the charge see note 22 to the consolidated financial statements.

### K INTERCOMPANY AND OTHER RECEIVABLES

Intercompany and other receivables are measured at amortised cost using the effective interest method less any impairment.

Intercompany and other receivables are assessed for indicators of impairment at each reporting end date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition for the financial asset, the estimated cash flows have been adversely affected.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 30 September 2017

## 1 INCOME STATEMENT DISCLOSURES

The Company's profit on ordinary activities after tax was £1,369 million (2016: £220 million).

The Company had no direct employees in the course of the year (2016: none).

	2017 £M	2016 £M
<b>AUDIT SERVICES</b>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.5	0.5
Fees payable for other services	0.1	£nil

## 2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

### INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2017 £M	2016 £M
<b>COST</b>		
At 1 October	1,004	993
Additions	–	–
Share-based payments to employees of subsidiaries	21	16
Recharged to subsidiaries during the year	(7)	(5)
At 30 September	1,018	1,004
<b>PROVISIONS</b>		
At 1 October and 30 September	(1)	(1)
<b>NET BOOK VALUE</b>		
At 30 September	1,017	1,003

The principal subsidiary undertakings are listed in note 34 to the consolidated financial statements.

## 3 DEBTORS

	2017			2016		
	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M
<b>DEBTORS</b>						
Amounts owed by subsidiary undertakings	9,909	–	9,909	11,319	–	11,319
Other debtors	–	–	–	–	–	–
Derivative financial instruments	4	139	143	2	184	186
Deferred taxation	–	–	–	1	–	1
Total	9,913	139	10,052	11,322	184	11,506

### MOVEMENT IN DEFERRED TAX ASSET

	2017 NET TEMPORARY DIFFERENCES £M	2016 NET TEMPORARY DIFFERENCES £M
At 1 October	1	1
Charge to income statement	(1)	–
At 30 September	–	1

The deferred taxation asset arises on certain derivative financial instruments and will be recovered no later than the maturity dates of these instruments.

Details of the derivative financial instruments are shown in note 17 to the consolidated financial statements.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2017

### 4 CREDITORS

	2017			2016		
	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M	FALLING DUE WITHIN 1 YEAR £M	FALLING DUE AFTER MORE THAN 1 YEAR £M	TOTAL £M
<b>CREDITORS</b>						
Bank overdrafts	35	–	35	80	–	80
Bank loans	–	302	302	250	281	531
Bank overdrafts and loans (note 6)	35	302	337	330	281	611
Loan notes	–	1,440	1,440	35	1,525	1,560
Bonds	–	1,536	1,536	–	1,253	1,253
Loan notes and bonds (note 6)	–	2,976	2,976	35	2,778	2,813
Derivative financial instruments	6	11	17	9	1	10
Accruals and deferred income	50	–	50	45	–	45
Current taxation	18	–	18	32	–	32
Amounts owed to subsidiary undertakings	5,669	–	5,669	6,839	–	6,839
<b>Total</b>	<b>5,778</b>	<b>3,289</b>	<b>9,067</b>	<b>7,290</b>	<b>3,060</b>	<b>10,350</b>

The Company has fixed term, fixed interest private placements denominated in US dollar and sterling.

	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
<b>LOAN NOTES</b>					
Sterling private placement	£35m	Oct 2016	7.55%	–	35
US\$ private placement	\$250m	Oct 2018	3.31%	186	196
US\$ private placement	\$200m	Sep 2020	3.09%	149	154
US\$ private placement	\$398m	Oct 2021	3.98%	297	306
US\$ private placement	\$352m	Oct 2023	4.12%	274	301
US\$ private placement	\$100m	Dec 2024	3.54%	75	107
US\$ private placement	\$300m	Sep 2025	3.81%	236	231
US\$ private placement	\$300m	Dec 2026	3.64%	223	230
<b>Total</b>				<b>1,440</b>	<b>1,560</b>

The Company also has sterling and euro denominated Eurobonds.

	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
<b>BONDS</b>					
Euro Eurobond	€600m	Feb 2019	3.13%	539	537
Euro Eurobond	€500m	Jan 2023	1.88%	464	469
Sterling Eurobond	£250m	Jun 2026	3.85%	249	247
Sterling Eurobond	£300m	Jul 2029	2.00%	284	–
<b>Total</b>				<b>1,536</b>	<b>1,253</b>

	NOMINAL VALUE	REDEEMABLE	INTEREST	2017 CARRYING VALUE £M	2016 CARRYING VALUE £M
<b>BANK LOANS</b>					
Bilateral loans	£250m	Dec 2016	floating	–	250
Bilateral loans	\$365m	Sep 2018	floating	–	281
Bilateral loans	£228m	Dec 2019	floating	227	–
Syndicated facility	£75m	Jun 2021	floating	75	–
<b>Total</b>				<b>302</b>	<b>531</b>

Details of the derivative financial instruments are shown in note 17 to the consolidated financial statements.

## 5 PROVISIONS FOR LIABILITIES

	LEGAL AND OTHER CLAIMS £M
<b>PROVISIONS</b>	
At 1 October 2015	28
Charged to profit and loss account	3
At 30 September 2016	31
At 1 October 2016	<b>31</b>
Charged to profit and loss account	–
At 30 September 2017	<b>31</b>

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

## 6 MATURITY OF FINANCIAL LIABILITIES, OTHER CREDITORS AND DERIVATIVE FINANCIAL INSTRUMENTS

The maturity of financial liabilities, other creditors and derivative financial instruments as at 30 September is as follows:

MATURITY	2017				2016			
	BANK OVERDRAFTS AND LOANS (NOTE 4) £M	LOAN NOTES AND BONDS (NOTE 4) £M	OTHER <sup>1</sup> £M	TOTAL £M	BANK OVERDRAFTS AND LOANS (NOTE 4) £M	LOAN NOTES AND BONDS (NOTE 4) £M	OTHER <sup>1</sup> £M	TOTAL £M
Between 1 and 2 years	–	725	(36)	689	281	–	(3)	278
Between 2 and 5 years	302	446	–	748	–	887	(35)	852
In more than 5 years	–	1,805	(92)	1,713	–	1,891	(145)	1,746
In more than 1 year	302	2,976	(128)	3,150	281	2,778	(183)	2,876
Within 1 year, or on demand	35	–	2	37	330	35	7	372
Total	<b>337</b>	<b>2,976</b>	<b>(126)</b>	<b>3,187</b>	611	2,813	(176)	3,248

1. Other includes the debtor and creditor amounts associated with derivative financial instruments.

## 7 SHARE CAPITAL

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 21 and 22 to the consolidated financial statements.

## 8 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	2017 £M	2016 £M
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	<b>408</b>	440
Parental guarantees issued under the Euro Medium Term Note Programme	<b>661</b>	–
Total	<b>1,069</b>	440

Details regarding certain contingent liabilities which involve the Company are set out in note 26 to the consolidated financial statements.



## SHAREHOLDER INFORMATION

### REGISTRAR

All matters relating to the administration of shareholdings in the Company should be directed to Link Asset Services (formerly Capita Asset Services) (the registrar), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 333 300 1568; email: enquiries@linkgroup.co.uk.

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by the registrar, at [www.signalshares.com](http://www.signalshares.com). Shareholders registering for the Share Portal will require their investor code which is shown on share certificates. The service enables shareholders to:

- check their shareholdings in Compass Group PLC 24 hours a day
- gain easy access to a range of shareholder information including indicative valuation and payment instruction details
- appoint a proxy to attend general meetings of Compass Group PLC

### ELECTRONIC COMMUNICATIONS

The Company's Annual Report and all other shareholder communications can be found on our website at [www.compass-group.com](http://www.compass-group.com). The Company can, at shareholders' request, send shareholders an email notification each time a new shareholder report or other shareholder communication is placed on its website. This enables shareholders to read and/or download the information at their leisure.

The provision of a facility to communicate with shareholders electronically does not discriminate between registered shareholders of the same class. The facility is available to all registered shareholders on equal terms and participation is made as simple as possible. Please note that it is the shareholder's responsibility to notify the registrar (through [www.signalshares.com](http://www.signalshares.com) or by post) of any change to their email address. Before electing for electronic communication, shareholders should ensure that they have the appropriate computer capabilities. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out, but cannot accept any responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Please note that any electronic communication sent by a shareholder to the Company or the registrar containing a computer virus will not be accepted.

The Company's obligation is satisfied when it transmits an electronic message. It cannot be held responsible for a failure in transmission beyond its control. In the event that the Company becomes aware that an electronic transmission is not successful, a paper notification will be sent to the shareholder at their registered address. Shareholders wishing to continue to receive shareholder information in the traditional paper format should confirm this via [www.signalshares.com](http://www.signalshares.com) or write to Link Asset Services.

### PUBLISHED INFORMATION

If you would like to receive a hard copy of this Annual Report and/or a copy of the Notice of Annual General Meeting in an appropriate alternative format such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ. Our 2017 Annual Report and the Notice of Meeting are available at [www.compass-group.com](http://www.compass-group.com).

### CASH DIVIDENDS

The Company normally pays a dividend twice each year. We encourage UK resident ordinary shareholders to elect to have their dividends paid directly into their bank or building society account. This is a more secure method of payment and avoids delays or the cheques being lost. Most ordinary shareholders resident outside the UK can also have any dividends in excess of £10 paid into their bank account directly via Link Asset Services' global payments service. Details and terms and conditions may be viewed at <http://ips.linkassetservices.com>.

### DIVIDEND REINVESTMENT PLAN (DRIP)

A DRIP service is provided by Link Market Services Trustees Limited. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding. Additional information, including details of how to sign up, can be obtained from the Company's website at [www.compass-group.com](http://www.compass-group.com) and from Link Market Services Trustees Limited; telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 333 300 1568; email: [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk).

**The latest date for receipt of new applications to participate in the DRIP in respect of the 2017 final dividend is 5 February 2018.**

### SHARE PRICE INFORMATION

The price of the Company's shares is available on the Company's website at [www.compass-group.com](http://www.compass-group.com). This is supplied with a 15 minute delay to real time.

### SHARE DEALING

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, the Company's registrar offers online and telephone dealing services to buy or sell Compass Group PLC shares. The service is only available to private shareholders aged 18 or over, resident in the UK, EEA, Channel Islands or Isle of Man. Full details can be obtained from [www.linksharedeal.com](http://www.linksharedeal.com) or by telephoning within the UK: Freephone 0800 280 2545.

### SHAREGIFT

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It is particularly useful for those shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. Further information can be obtained from ShareGift's website at [www.sharegift.org](http://www.sharegift.org); telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737; email: [help@sharegift.org](mailto:help@sharegift.org) or from the registrar.

## AMERICAN DEPOSITARY RECEIPTS

BNY Mellon (BNY) maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary Shares, you should contact BNY Mellon, Shareowner Services, Computershare, P.O. Box 30170, College Station TX 77842-3170, USA or [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com). Further information can be found on BNY's website at [www.adrbnymellon.com](http://www.adrbnymellon.com) using the symbol CMPGY and at [www.compass-group.com](http://www.compass-group.com).

## UNSOLICITED MAIL

We are legally obliged to make our register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, MPS FREEPOST LON20771, London W1E 0ZT. Shareholders can also register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk) or request an application form by calling from within the UK: 0845 703 4599 or by email: [mps@dma.org.uk](mailto:mps@dma.org.uk).

## IDENTITY THEFT

Advice on protecting your Compass Group PLC shares:

- keep all Compass correspondence in a safe place, or destroy correspondence by shredding
- when changing address, inform the registrar, Link Asset Services. If a letter from Link Asset Services is received regarding a change of address and you have not moved, contact the registrar immediately
- consider having your dividends paid directly into your bank or building society account. This will reduce the risk of the cheque being intercepted or lost in the post. You can complete a Request for Payment of Interest or Dividends form which are available from and should be returned to the registrar. Alternatively, register online at [www.signalshares.com](http://www.signalshares.com) using the Share Portal service. If you require further information please contact the registrar
- on changing your bank or building society account, inform the registrar of the details of the new account and respond to any letters Link Asset Services send you about this
- when buying or selling shares, deal only with brokers registered in your country of residence or the UK

## WARNING ABOUT SHARE FRAUD

Fraudsters use persuasive and high pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

Whilst high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

## HOW TO AVOID SHARE FRAUD

- keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares
- do not get into a conversation. Note the name of the person and firm contacting you and then end the call
- check the Financial Services Register at [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you are authorised by the FCA
- beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- use the firm's contact details listed on the Register if you want to call it back
- call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or if you are told they are out of date
- search the list of unauthorised firms to avoid at [www.fca.org.uk](http://www.fca.org.uk)
- consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme
- think about getting independent financial and professional advice before you hand over any money
- remember: if it sounds too good to be true, it probably is!

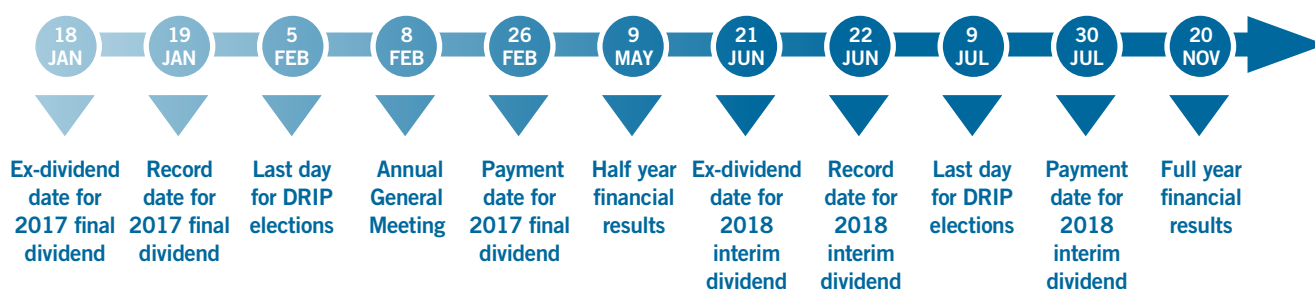
## REPORT A SCAM

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk](http://www.fca.org.uk), where you can find out more about investment scams, or call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

## SHAREHOLDER INFORMATION CONTINUED

### FINANCIAL CALENDAR 2018\*



\* At the date of disclosure

### 2014 RETURN OF CASH AND SHARE CAPITAL CONSOLIDATION – BASE COST APPORTIONMENT FOR UK TAX PURPOSES

On 11 June 2014, shareholders approved a Return of Cash of 56 pence per Existing Ordinary Share, which resulted in approximately £1 billion being returned through the issue of one B or C Share to shareholders for each Existing Ordinary Share held at 6.00pm on 7 July 2014. The Return of Cash was accompanied by a consolidation of the Existing Ordinary Shares in the ratio of 16 New Ordinary Shares for every 17 Existing Ordinary Shares. The New Ordinary Shares were admitted to trading on 8 July 2014. The B and C shares were not admitted to trading.

The Base Cost Apportionment is in general terms based on respective market values on the first day after the reorganisation on which a price for the New Ordinary Shares was quoted on the London Stock Exchange. Based on the New Ordinary Share price of 1,024.50 pence and the market value of a B Share and of a C Share of 56 pence, and calculated using the ratio of 16 New Ordinary Shares and 17 B or 17 C Shares for every 17 Existing Ordinary Shares previously held, 94.51% of the base cost of the Existing Ordinary Shares is apportioned to the New Ordinary Shares and 5.49% to the B and/or C Shares.

*The information provided is only intended to provide general guidance to UK shareholders and is not intended to be, and should not be construed to be legal or taxation advice to any particular UK shareholder. It states the position as of 9 July 2014 and 15 May 2017 respectively. If you are in any doubt as to your tax position, you are recommended to seek tax advice from an independent professional advisor. This note must be read in conjunction with the Circulars to Shareholders dated 19 May 2014 and 15 May 2017, where certain terms are defined.*

### 2017 SHAREHOLDER RETURN AND SHARE CAPITAL CONSOLIDATION – TAX INFORMATION

On 7 June 2017, shareholders approved a return of 61.0 pence per Existing Ordinary Share, which resulted in approximately £1 billion being returned to shareholders by way of a special dividend (the Shareholder Return). The Shareholder Return was accompanied by a Share Capital Consolidation of the Existing Ordinary Shares in the ratio of 25 New Ordinary Shares for every 26 Existing Ordinary Shares held at 6.00pm on 26 June 2017. The New Ordinary Shares were admitted to trading on 27 June 2017.

The New Ordinary Shares arising from the Share Consolidation result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Shareholder received New Ordinary Shares, the Shareholder should not be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replaced a Shareholder's holding of Existing Ordinary Shares as a result of the Share Consolidation will be treated as the same asset acquired at the same time as when the Shareholder's holding of Existing Ordinary Shares was acquired.

# NOTICE OF ANNUAL GENERAL MEETING

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Compass Group PLC, please send this Notice and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the seventeenth Annual General Meeting of Compass Group PLC (the Company) will be held at 12 noon on Thursday 8 February 2018 in the Live Room at Rugby Football Union, Rugby House, Twickenham Stadium, 200 Whitton Road, Twickenham, Middlesex TW2 7BA (the Meeting) (the AGM) in order to transact the following business:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 21 to 24 will be proposed as special resolutions and all other Resolutions will be proposed as ordinary resolutions.

1. To receive and adopt the Directors' Annual Report and Accounts and the Auditor's Report thereon for the financial year ended 30 September 2017.
  2. To receive and adopt the Remuneration Policy set out on pages 77 to 83 of the Director's Remuneration Report contained within the Annual Report and Accounts for the financial year ended 30 September 2017, such Remuneration Policy to take effect from the date on which this Resolution is passed.
  3. To receive and adopt the Directors' Remuneration Report (other than the Remuneration Policy referred to in Resolution 2 above) contained within the Annual Report and Accounts for the financial year ended 30 September 2017.
  4. To declare a final dividend of 22.3 pence per ordinary share in respect of the financial year ended 30 September 2017.
  5. To re-elect Dominic Blakemore as a director of the Company.
  6. To re-elect Richard Cousins as a director of the Company.
  7. To re-elect Gary Green as a director of the Company.
  8. To re-elect Johnny Thomson as a director of the Company.
  9. To re-elect Carol Arrowsmith as a director of the Company.
  10. To re-elect John Bason as a director of the Company.
  11. To re-elect Stefan Bomhard as a director of the Company.
  12. To re-elect Don Robert as a director of the Company.
  13. To re-elect Nelson Silva as a director of the Company.
  14. To re-elect Ireena Vital as a director of the Company.
  15. To re-elect Paul Walsh as a director of the Company.
  16. To re-appoint KPMG LLP as the Company's auditor until the conclusion of the next Annual General Meeting of the Company.
  17. To authorise the Audit Committee to agree the auditor's remuneration.
  18. To authorise the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this Resolution relates, to:
    - 18.1 make donations to political parties or independent election candidates;
    - 18.2 make donations to political organisations other than political parties; and
    - 18.3 incur political expenditure, during the period commencing on the date of this Resolution and ending on the date of the Company's next Annual General Meeting, provided that any such donations and expenditure made by the Company, or by any such subsidiary, shall not exceed £100,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £100,000.
- Any terms used in this Resolution 18 which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution.
19. That the rules of the Compass Group PLC Long Term Incentive Plan 2018 (2018 LTIP) to be constituted by the rules produced in draft to this Meeting and for the purposes of identification initialled by the Chairman, the principal features of which are summarised in this Notice of Meeting, be approved and adopted and that the directors be authorised to do all acts and things which they consider necessary or expedient to carry the 2018 LTIP into effect, including making such modifications as they may consider appropriate to take account of the requirements of the London Stock Exchange, the UK Listing Authority, best practice or local tax, exchange control or securities laws outside of the United Kingdom.
  20. 20.1 To renew the power conferred on the directors by Article 12 of the Company's Articles of Association for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, at close of business on 7 May 2019; and for that period the section 551 amount shall be £58,299,800.
  - 20.2 In addition, the section 551 amount shall be increased by £58,299,800 for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed, provided that the directors' power in respect of such latter amount shall only be used in connection with a rights issue:
    - 20.2.1 to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
    - 20.2.2 to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,
- and that the directors may impose any limits or restrictions and make any arrangements which they consider necessary to deal with fractional entitlements, legal or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, any territory, or any matter whatsoever.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### SPECIAL RESOLUTIONS

21. To authorise the directors, subject to the passing of Resolution 20, and in accordance with the power conferred on the directors by Article 13 of the Company's Articles of Association, to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- 21.1 to allotments for rights issues and other pre-emptive issues; and
- 21.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 21.1 above) up to a nominal amount of £8,746,517 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 1 December 2017, being the last practicable date prior to the publication of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company, or, if earlier, at the close of business on 7 May 2019, but in each case, prior to the expiry the Company may make offers, and enter into agreements, which would, or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

22. To authorise the directors, subject to the passing of Resolution 20, and in accordance with the power conferred on the directors by Article 13 of the Company's Articles of Association and in addition to any authority granted under Resolution 21 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- 22.1 limited to the allotment of equity shares or sale of treasury shares up to a nominal amount of £8,746,517 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 1 December 2017, being the last practicable date prior to the publication of this Notice;
- 22.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company or, if earlier, at close of business on 7 May 2019, but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

23. To generally and unconditionally authorise the Company, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of 11½ pence each in the capital of the Company subject to the following conditions:

- 23.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 158,308,000;
- 23.2 the minimum price (excluding expenses) which may be paid for each ordinary share is 11½ pence;
- 23.3 the maximum price (excluding expenses) which may be paid for each ordinary share in respect of a share contracted to be purchased on any day, does not exceed the higher of (1) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (2) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and
- 23.4 this authority shall expire, unless previously renewed, varied or revoked by the Company, at the conclusion of the next Annual General Meeting of the Company or close of business on 7 August 2019, whichever is the earlier (except in relation to the purchase of ordinary shares, the contract for which was concluded prior to the expiry of this authority and which will or may be executed wholly or partly after the expiry of this authority).

24. To authorise the directors to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear working days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution.

Voting on all Resolutions will be by way of a poll.

By Order of the Board



**Mark White**

Group General Counsel and Company Secretary

18 December 2017

Registered Office:  
Compass House  
Guildford Street  
Chertsey  
Surrey KT16 9BQ

Registered in England and Wales No. 4083914



## EXPLANATORY NOTES TO THE RESOLUTIONS

### RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

The directors are required to present to the AGM the audited Accounts and the Directors' and Auditor's Reports for the financial year ended 30 September 2017.

### RESOLUTION 2 – REMUNERATION POLICY

Shareholders are requested to approve the Remuneration Policy. The Remuneration Policy is set out on pages 77 to 83 of the Directors' Remuneration Report contained within the 2017 Annual Report and Accounts.

In accordance with section 439A of the Companies Act 2006 (CA 2006), a separate Resolution on the Remuneration Policy part of the Directors' Remuneration Report is required to be put to a vote by shareholders. The vote is binding which means that payments cannot be made under the Policy until it has been approved by shareholders.

The Policy Report must be put to shareholders at least every three years, unless during that time it is to be changed. The Company currently intends to submit the Policy for approval by shareholders every three years.

### RESOLUTION 3 – DIRECTORS' REMUNERATION REPORT

In accordance with section 439 of the CA 2006, shareholders are requested to approve the Directors' Remuneration Report. The Directors' Remuneration Report is set out on pages 84 to 94 of the 2017 Annual Report and Accounts. The vote is advisory.

### RESOLUTION 4 – FINAL DIVIDEND

The final dividend for the year ended 30 September 2017 will be paid on 26 February 2018 to shareholders on the register at the close of business on 19 January 2018, subject to shareholder approval.

### RESOLUTIONS 5 TO 15 – RE-ELECTION OF DIRECTORS

Biographical details of all the directors standing for re-election appear on pages 47 to 49 of the 2017 Annual Report.

The Company's Articles of Association require one third of the directors to retire by rotation each year and no director may serve for more than three years without being re-elected by shareholders. However, in accordance with the UK Corporate Governance Code (the Code), all the directors will submit themselves for annual re-election by shareholders.

Having conducted an evaluation during the year, it is the view of the Chairman that the performance of each of the directors continues to be effective and that each director demonstrates commitment to the role and has sufficient time to meet his or her commitment to the Company.

### RESOLUTIONS 16 AND 17 – AUDITOR

The auditor is appointed at every general meeting at which accounts are presented to shareholders. The current appointment of KPMG LLP as the Company's auditor will end at the conclusion of the AGM and it has advised of its willingness to stand for reappointment. In accordance with provisions of the Code, it is best recommended practice for the Audit Committee to be authorised to agree how much the auditor should be paid and Resolution 17 grants this authority to the Audit Committee.

### RESOLUTION 18 – DONATIONS TO POLITICAL PARTIES

It is not Group policy to make donations to political parties. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries might unintentionally fall within the wide definition of matters constituting political donations and expenditure in the CA 2006. Any expenditure that is regulated under the CA 2006 must first be approved by shareholders and will be disclosed in next year's Annual Report. This Resolution, if passed, will renew the directors' authority until the AGM to be held in 2019 (2019 AGM) (when the directors intend to renew this authority) to make donations and incur expenditure which might otherwise be caught by the terms of the CA 2006, up to an aggregate amount of £100,000 for the Company and for subsidiary companies.

### RESOLUTION 19 – ADOPTION OF THE LONG TERM INCENTIVE PLAN 2018 (2018 LTIP)

The Compass Group Long Term Incentive Plan 2010 (2010 LTIP) will shortly expire. It is proposed that future share incentive awards to the executive directors and members of the Executive Board be made under a new long term incentive plan, consistent with the new Remuneration Policy to be proposed for shareholder approval as Resolution 2. There are no material changes to the 2010 LTIP save to the weighting of performance measures and the introduction of deferred bonus shares as detailed in the Appendix on pages 190 and 191. The 2018 LTIP is designed to incentivise executive directors and other such senior executives by providing a share of the long term value they create for shareholders. The Remuneration Committee of the Board believes this to be the most appropriate way to recognise superior performance.

The proposed new plan rules have been drafted to take account of current governance guidelines and the terms of the proposed new plan will remain broadly similar to those of the existing rules, such that awards will continue to be subject to three primary performance conditions which will be measured over a three year performance period.

The performance conditions will remain unchanged: Return on Capital Employed (ROCE), Adjusted Free Cash Flow (AFCF) and Total Shareholder Return (TSR). However, it is proposed that the relative weightings be amended from 1/3 for each performance element to 40% for ROCE, 40% for AFCF and 20% for TSR respectively.

The maximum opportunity of 250% of base salary for the current Group Chief Executive and 200% of base salary for other current executive directors remains unchanged, although as part of a rebalanced overall remuneration package, as a result of the change in executive leadership from 1 April 2018, the maximum opportunity will be increased to 300% of base salary for the Group Chief Executive and 250% of base salary for other executive directors, subject to shareholder approval. An award of up to 400% of base salary may be made on appointment and/or in exceptional circumstances. Were such an award to be made, an explanation of why it was necessary to make the award would be given to shareholders. All awards are subject to malus and clawback provisions.

Shareholder approval is being sought for the 2018 LTIP rules at the AGM to ensure that the 2018 LTIP reflects the proposed new Remuneration Policy. The proposed new Directors' Remuneration Policy, for which shareholder approval is being sought, is set out on pages 77 to 83.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

The main features of the plan are summarised in the Appendix to this Notice on pages 190 and 191.

The Rules of the 2018 LTIP, together with the other documents for inspection, will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ and, in accordance with Listing Rule 13.8.11 of the UK Listing Rules, at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS and will also be made available at the AGM for a period of 15 minutes prior to and during the continuance of the AGM.

### RESOLUTION 20 – DIRECTORS' AUTHORITY TO ALLOT SHARES

The purpose of Resolution 20 is to renew the directors' power to allot shares. Resolution 20.1 seeks to grant the directors authority to allot, pursuant to Article 12 of the Company's Articles of Association and section 551 of the CA 2006, relevant securities with a maximum nominal amount of £58,299,800. This represents 527,600,000 ordinary shares of 11 $\frac{1}{2}$  pence each in the capital of the Company, which is approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 1 December 2017 (being the last practicable date prior to the publication of this Notice). The Company currently holds 6,640,021 shares in treasury. The authority would, unless previously renewed, revoked or varied by shareholders, remain in force up to the conclusion of the 2019 AGM of the Company or close of business on 7 May 2019, whichever is earlier.

In accordance with the Investment Association Share Capital Management Guidelines (the Guidelines), Resolution 20.2 seeks to grant the directors authority to allot approximately a further one third of the Company's issued ordinary share capital (excluding treasury shares) in connection with a rights issue in favour of ordinary shareholders with a nominal value of up to £58,299,800 (representing 527,600,000 ordinary shares of 11 $\frac{1}{2}$  pence each). Such additional authority will be valid until the conclusion of the 2019 AGM.

If the Company uses any of the additional one third authority permitted by the Guidelines, the Company will ensure that all directors stand for re-election. The Company's current practice is that all directors submit themselves for re-election each year in accordance with the Code, notwithstanding the provisions set out in the Guidelines.

The total authorisation sought by Resolution 20 is equal to approximately two thirds of the issued ordinary share capital of the Company (excluding treasury shares) as at 1 December 2017, being the last practicable date prior to publication of this Notice.

*Resolutions 1 to 20 will be proposed as ordinary resolutions and require that more than half of the votes cast must be in favour of a resolution for it to be passed.*

### RESOLUTIONS 21 AND 22 – DISAPPLICATION OF PRE-EMPTION RIGHTS

If the Company issues new shares, or sells treasury shares, for cash (other than in connection with an employee share scheme), it must first offer them to existing shareholders in proportion to their existing holdings. In accordance with investor guidelines, approval is sought by the directors to issue a limited number of ordinary shares for cash without offering them to existing shareholders.

The Pre-Emption Group (which represents the Investment Association and the Pension and Lifetime Savings Association) published a revised statement of principles for the disapplication of pre-emption rights (the Principles) in 2015. The Principles provide that a general authority for the disapplication of pre-emption rights over approximately 5% of the Company's issued ordinary share capital should be treated as routine. This general authority, which the directors have sought and received in previous years, is dealt with under Resolution 21.

Subject to the passing of Resolution 20, Resolution 21 seeks to replace the authority conferred on the directors at the 7 June 2017 general meeting (2017 GM) to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital without application of pre-emption rights pursuant to Article 13 of the Company's Articles of Association and section 561 of the CA 2006. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 21 would be limited to a maximum nominal amount of £8,746,517.

The Pre-Emption Group further provides that the Company may, as a routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 5% of the issued ordinary share capital of the Company, so long as certain criteria are met.

Subject to the passing of Resolution 20 and in addition to the authority granted by Resolution 21, Resolution 22 seeks to replace the authority conferred on the directors at the 2017 GM to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital without application of pre-emption rights pursuant to Article 13 of the Company's Articles of Association and section 561 of the CA 2006, provided that this authority will only be used for the purpose of:

- (i) an acquisition; or
- (ii) a specified capital investment in respect of which sufficient information regarding the effect of the investment on the Company, the assets that are the subject of the investment and (where appropriate) the profits attributable to those assets is made available to shareholders to enable them to reach an assessment of the potential return on the investment

which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.



Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 22 would be limited to a maximum nominal amount of £8,746,517.

These together represent 158,308,000 ordinary shares of 11½ pence each in the capital of the Company, which is approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 1 December 2017 (being the last practicable date prior to the publication of this Notice). The authority would, unless previously renewed, revoked or varied by shareholders, expire at the conclusion of the AGM of the Company to be held in 2019 or close of business on 7 May 2019, if earlier.

Save for issues of shares in respect of various employee share schemes and any share dividend alternatives, the directors have no current plans to utilise the authorities sought by Resolutions 20, 21 and 22, although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years. The limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM and the directors confirm their intention to follow best practice set out in the Principles which provides that usage of this authority in excess of 7.5% of the Company's issued share capital in a rolling three-year period would not take place without prior consultation with shareholders.

#### **RESOLUTION 23 – PURCHASE OF OWN SHARES**

This Resolution authorises the directors to make limited on market purchases of the Company's ordinary shares. The power is limited to a maximum of 158,308,000 shares (just under 10% of the issued ordinary share capital as at 1 December 2017, being the last practicable date prior to the publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this Resolution will expire at the conclusion of the Company's next AGM or 18 months from the passing of this Resolution, whichever is the earlier.

The CA 2006 permits the Company to hold shares repurchased as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of satisfying the Company's obligations in connection with employee equity incentive schemes. The authority to be sought by this Resolution is intended to apply equally to shares to be held by the Company as treasury shares. No dividends will be paid on shares which are held as treasury shares and no voting rights will be attached to them. Shares held as treasury shares will normally be used to satisfy the Company's obligations under the Company's employee equity incentive schemes.

From 1 October 2016 to 21 April 2017, the Company repurchased and subsequently cancelled 1,340,344 ordinary shares of 10½ pence for a consideration of £19 million (including expenses).

On 14 June 2017, 35 ordinary shares of 10½ pence were repurchased for a consideration of £582 (including expenses) in relation to the Shareholder Return and associated Share Capital Consolidation. Of the 35 shares repurchased 10 were placed into treasury and the remaining 25 shares were subsequently cancelled.

No share repurchases were made from 15 June 2017 to 30 September 2017. No further share repurchases have been made between 1 October and 1 December 2017 (being the last practicable date prior to the publication of this Notice). The directors consider it desirable for such general authority to be available in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund any infill acquisitions.

As at 1 December 2017 (being the last practicable date prior to the publication of this Notice) there were 1,589,736,625 11½ pence ordinary shares in issue and 6,640,021 11½ pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

As at 1 December 2017 (being the last practicable date prior to the publication of this Notice), there were options to subscribe for ordinary shares issued by the Company outstanding over approximately 7,300,000 shares which represent 0.46% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 0.51% of the Company's issued ordinary share capital (excluding treasury shares).

#### **RESOLUTION 24 – NOTICE OF MEETINGS OTHER THAN ANNUAL GENERAL MEETINGS**

The Company's Articles of Association allow the directors to call general meetings, other than AGMs, on 14 clear working days' notice. However, under the Companies (Shareholders' Rights) Regulations 2009 (the Regulations), all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period, and the Company has met the requirements for electronic voting under the Regulations. This Resolution seeks to renew the authority granted by shareholders at last year's AGM which preserved the Company's ability to call general meetings, other than AGMs, on 14 clear working days' notice, such authority to be effective until the Company's next AGM, when a similar resolution will be proposed. The directors confirm that the shorter notice period would not be used as a matter of routine, but only where flexibility is merited by the business of the meeting and it is thought to be to the advantage of shareholders as a whole. An electronic voting facility will be made available to all shareholders for any meeting held on such notice.

*Resolutions 21 to 24 will be proposed as special resolutions and require that at least three quarters of the votes cast must be in favour of a resolution for it to be passed.*

#### **RECOMMENDATION**

The directors consider that each of the Resolutions is in the best interests of the Company and the shareholders as a whole and, accordingly, recommend that all shareholders vote in favour of all Resolutions, as the directors intend to do in respect of their own holdings.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### APPENDIX

#### SUMMARY OF THE PRINCIPAL FEATURES OF THE COMPASS GROUP PLC LONG TERM INCENTIVE PLAN 2018 (2018 LTIP)

##### Eligibility

The plan is discretionary and participation will be available to full time employees of the Group, including executive directors, who are not within six months of their expected normal retirement date.

##### Performance

The vesting of shares (other than awards made as a Deferred Bonus Award) under each performance condition is independent. Therefore, the total vesting amount is based on the relevant percentage achievement for each performance measure.

40% of any LTIP will be based on Return on Capital Employed (ROCE), 40% on Adjusted Free Cash Flow (AFCF) and 20% on Total Shareholder Return (TSR) over a three year performance period. The precise AFCF target for each award will be linked to the Group's wider business targets and will be set by the Remuneration Committee of the Board (the Committee) at the time of award based on Group projections and market expectations.

ROCE is calculated at the end of the three year performance period as net underlying operating profit after tax divided by 12 month average capital employed. If the ROCE target is satisfied, the number of awards that vest will depend on the ROCE achieved over the performance period such that if the par ROCE target is achieved 50% of the award based on ROCE will vest and if the maximum ROCE target is achieved, 100% of the award based on ROCE vests. Awards will vest on a straight line basis between 0% and 100% where ROCE is between threshold and maximum performance.

If the threshold AFCF cashflow target is satisfied, the number of awards that vest will depend on the level of AFCF achieved over the performance period such that if par cashflow target is achieved, 50% of the portion of the award based on AFCF will vest and if the maximum cashflow target is achieved, 100% of the award based on AFCF shall vest. Awards will vest on a straight line basis between 0% and 100% where AFCF is between threshold and maximum performance.

TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three year performance period). 100% of the portion of the award based on TSR will vest if performance is in the upper quartile and 25% of the award will vest if performance is at the median. Where performance is between the median and top quartile, awards will vest on a straight line basis between the median and top quartile. No shares will be released if the Company's TSR performance is below the median. The Committee must also be satisfied that the underlying financial performance of the Company justifies the vesting of an award.

Calculations of the achievement of the targets will be independently performed and approved by the Committee.

##### Timing and basis of awards

Awards may be made within the period of 42 days commencing on the date of approval of the 2018 LTIP by shareholders or the day following the announcement of the annual or half year results of the Company in any year. Awards may also be made at any other time when, in the opinion of the Committee, the circumstances are considered to be exceptional so as to justify the making of an award.

Awards will be made for nil cost and will be determined by reference to a participant's base salary and the Company's closing share price on the day preceding the date on which an award is made. Benefits under the 2018 LTIP will not be pensionable.

No award may be made more than 10 years after the date of adoption of the 2018 LTIP and the Committee will formally review the 2018 LTIP by no later than February 2028.

##### Limits of participation

The annual limit for the value of shares over which an award may be made under the 2018 LTIP is 250% of base salary for the Group Chief Executive and 200% of base salary for all other executive directors. Following the change in executive leadership from 1 April 2018, the maximum shares awarded will be 300% of base salary for the Group Chief Executive and 250% for other executive directors. An award of up to 400% of base salary may be made on appointment and/or in exceptional circumstances.

##### Dilution Limits

The 2018 LTIP will operate within the limits recommended by the Investment Association in respect of awards settled by the issue of new shares or by the transfer of treasury shares.

In any 10 year period, not more than 5% of the issued ordinary share capital of the Company may be issued under the 2018 LTIP and all other discretionary employee share plans, and not more than 10% may be issued under the 2018 LTIP and all other employee share schemes operated by the Company. These limits do not include awards which have lapsed.

##### Vesting and lapse of awards

At the end of the three year performance period, once the Committee has determined the extent to which awards under the 2018 LTIP have vested, awards will be released within 45 days. Awards may be satisfied by the issue of new shares, market purchases, treasury shares or, if required (for example, because of securities laws), in cash at the discretion of the Committee at any time up to the release of an award. If satisfaction is by way of cash, such amount is determined by reference to the Company's share price on the vesting date.

##### Early vesting

If a participant ceases to be an employee in certain circumstances, including injury, ill health, disability or redundancy, any unvested award will lapse unless the Committee otherwise determines at its absolute discretion, in which case it shall permit awards to continue until the normal vesting date and be satisfied, subject to the achievement of the performance conditions. If a participant ceases to be an employee by reason of contractual or agreed early retirement, any unvested award will continue until the normal vesting date and be satisfied, subject to achievement of the performance conditions. In the aforementioned circumstances, any shares vesting will be reduced on a time-apportioned basis unless otherwise determined by the Committee. In the event of the death of

a participant during the performance period, such award will immediately vest, subject to the satisfaction of the performance conditions on that date and to reduction on a time-apportioned basis, unless the Committee decides otherwise.

#### Dividends

The Committee may permit dividend equivalents to be accrued on the shares earned from any awards.

#### Post-vest holding

The Committee may impose a holding period of up to five years on participants whose awards have vested, net of any shares sold to meet personal tax and social security obligations of the director. A two year post-vest holding period is expected to be imposed upon all awards made to executive directors as is the case under the 2010 LTIP.

#### Deferred Bonus Award

The Committee may make an award to Participants linked to the amount of a Participant's bonus where the Participant has not met the shareholding guidelines in force at the time that a bonus is paid. The number of shares subject to a Deferred Bonus Award will be calculated using that part of a Participant's annual bonus (before the deduction of tax and social security contributions) which the Participant has been required to receive in the form of a Deferred Bonus Award using the market value of the shares as determined by the Committee. Deferred Bonus Shares would vest after a three year period and would be subject to malus and clawback.

#### Change of control

In the event of a change of control of the Company, any unvested awards will vest immediately, subject to satisfaction of the performance conditions as at the date of completion of the change of control and subject to reduction on a time-apportioned basis. In the event of an internal reorganisation, an award will normally be released and replaced by a new award which will continue to be governed under the rules of the 2018 LTIP.

#### Recoupment

Malus and clawback can be applied to awards made under the 2018 LTIP so that the provisions apply both before an award vests and for a period of three years after vesting and apply in various circumstances, such as serious misconduct of a participant, including where facts arise after termination of employment, where the remedies include lapsing awards which have not vested and forfeiting of vested awards with the right to reclaim amounts from the affected participant.

#### Variation in share capital

The Committee may make such adjustments to awards as it considers appropriate in the event of any variation in the share capital of the Company.

#### Amendments

The Committee may amend the 2018 LTIP as it considers appropriate. However, shareholder approval is required to amend any provision to the advantage of participants relating to eligibility, dilution limits, the terms of vesting, the rights attaching to the shares acquired under the 2018 LTIP, or to the adjustment of awards. Shareholder approval is not required for minor amendments to benefit the administration of the 2018 LTIP or to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Company.

## IMPORTANT INFORMATION

### PROXIES

- (i) A shareholder entitled to attend and vote at the AGM may appoint a proxy or proxies (who need not be a shareholder of the Company) to exercise all or any of his or her rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

Proxies may only be appointed by:

- completing and returning the Form of Proxy enclosed with this Notice to PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF
- going to [www.signalshares.com](http://www.signalshares.com) and following the instructions for electronic submission provided there; or
- having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members). Please refer to the CREST manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)) for further information

Return of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person. However, if you do attend the Meeting, any proxy appointment will be treated as revoked.

The electronic addresses provided in this Notice are provided solely for the purpose of enabling shareholders to register the appointment of a proxy or proxies for the Meeting or to submit their voting directions electronically. You may not use any electronic address provided in the Notice of this Meeting to communicate with the Company for any purposes other than those expressly stated.

- (ii) To be effective, the Form of Proxy must be completed in accordance with the instructions and received by the Company's registrar by 12 noon on Tuesday 6 February 2018.

To appoint a proxy or to give an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID RA10) by 12 noon on Tuesday 6 February 2018. Please note, however, that proxy messages cannot be sent through CREST on weekends, public holidays or after 8.00pm on any other day. For the purpose of this deadline, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST personal members or other CREST sponsored members and those CREST members that have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the CA 2006, the Company specifies that only those shareholders registered in the Register of Members of the Company as at close of business on Tuesday 6 February 2018 or, in the event that the Meeting is adjourned, in the Register of Members at the close of business two days before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on Tuesday 6 February 2018 or, in the event that the Meeting is adjourned, at close of business two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

### Nominated Persons

Any person to whom a copy of this Notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (Nominated Person) may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note (i) on page 191 above does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

### Shareholder rights and AGM business

Under sections 338 and section 338A of the CA 2006, shareholders meeting the threshold requirements which, broadly, requires a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued share capital, have the right to require the Company: (i) to give to shareholders of the Company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved, at the AGM; and/or (ii) to include in the business to be dealt with at the AGM, any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory; or (c) it is frivolous or vexatious. Such a request may be in hard copy or electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than Wednesday 27 December 2017, being the date six clear weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

### Right to ask questions

Under section 319A of the CA 2006, shareholders have the right to ask questions at the AGM relating to the business of the Meeting and for these to be answered, unless such answer would interfere unduly with the business of the Meeting, involve the disclosure of confidential information, if the answer has already been published on the Company's website; or if it is not in the interests of the Company or the good order of the Meeting that the question be answered.

### Website publication of audit concerns

Under section 527 of the CA 2006, shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be submitted to the Meeting or any circumstances connected to the Company's auditor who ceased to hold office since the last AGM. The Company will publish the statement if sufficient requests have been received in accordance with section 527(2) of the CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued ordinary share capital (excluding treasury shares) to make the request. The Company may not require the members requesting any such website publication to pay its expenses in complying with such request. Where a statement is published, the Company will forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the CA 2006 to publish on its website.

### Documents available for inspection

Copies of the service agreements of the executive directors, the letters of appointment of the non-executive directors, the directors' deeds of indemnity, the Register of Directors' Interests, the rules of the 2018 LTIP (for the purposes of identification initialled by the Chairman) and the Company's Articles of Association will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ, and, in accordance with Listing Rule 13.8.11 of the UK Listing Rules, at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS, and will also be made available at the AGM for a period of 15 minutes prior to and during the continuance of the AGM.

### Total voting rights

As at 1 December 2017 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital comprised 1,583,096,604 ordinary shares of 11 $\frac{1}{20}$  pence each (excluding treasury shares). The holders of ordinary shares are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote. On a vote by poll, every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share held. It is proposed that all votes on the Resolutions at the AGM will be taken by way of a poll.

The total voting rights in the Company as at 1 December 2017 were 1,583,096,604 (excluding treasury shares).

### Information available on website

The following information is available on the Company's website at [www.compass-group.com](http://www.compass-group.com):

- (i) the matters set out in this Notice of Meeting
- (ii) the total voting rights and number of shares of each class in respect of which shareholders are entitled to exercise voting rights at the AGM
- (iii) shareholders' rights to include business to be dealt with at the AGM
- (iv) shareholders' statements, resolutions and matters of business received by the Company after 18 December 2017

### Attending the AGM

If you are coming to the AGM, please bring your attendance card with you. It authenticates your right to attend, speak and vote at the AGM and will speed your admission. You may also find it useful to bring this Notice of AGM and the Annual Report 2017 so that you can refer to them at the Meeting. All joint shareholders may attend and speak at the AGM. However, only the first shareholder listed on the Register of Members is entitled to vote. At the discretion of the Company, and subject to sufficient seating capacity, a shareholder may enter with one guest, provided that the shareholder and their guest register to enter the AGM at the same time.

### The AGM

The doors of the Live Room at Twickenham RFU Stadium will open at 10.30am and the AGM will start promptly at 12 noon. Please see the map on page 194 for the location of Twickenham RFU Stadium. Car parking is available for shareholders as indicated on the map. For more information of how to get to the venue, go to <http://www.englandrugby.com/twickenham/visiting-the-stadium/getting-here>.

### Questions

All shareholders or their proxies will have the opportunity to ask questions at the AGM. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. A question may not be answered at the Meeting if it is not considered to be in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of sensitive information. The Chairman may also nominate a representative to answer a specific question after the Meeting or refer the questioner to the Company's website.

### Voting at the AGM

The Company confirms that all Resolutions to be proposed at the AGM will be put to the vote on a poll. This will result in a more accurate reflection of the views of all of the Company's shareholders by ensuring that every vote is recognised, including the votes of shareholders who are unable to attend the Meeting but who have appointed a proxy for the Meeting. On a poll, each shareholder has one vote for each share held.

All of the votes of the shareholders present will be counted, and added to those received by proxy, and the provisional final votes will be displayed at the Meeting.

The indicative voting results, which will include all votes cast for and against each Resolution at the Meeting, and all proxies lodged prior to the Meeting, will be displayed at the Meeting and the final results published on the Company's website, the London Stock Exchange and on the document storage system, Morningstar, as soon as practicable after the Meeting. The Company will also disclose the number of votes withheld.

If you have already voted by proxy, you will still be able to vote at the Meeting and your vote on the day will replace your previously lodged proxy vote.

Whomever you appoint as a proxy can vote or abstain from voting as he or she decides on any other business which may validly come before the AGM. This includes proxies appointed using the CREST service. Details of how to complete the appointment of a proxy either electronically or on paper are given in the notes to this Notice.



## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### Venue arrangements

For your personal safety and security, all hand baggage may be subject to examination. A cloakroom will be available to deposit coats and bulky items.

A sound amplification/hearing loop will be available in the meeting room.

There is wheelchair access. Anyone accompanying a shareholder in need of assistance will be admitted to the AGM. If any shareholder with a disability has any questions regarding attendance at the AGM, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ by 1 February 2018.

Security staff will be on duty to assist shareholders. The Company will not permit behaviour that may interfere with another person's security, safety or the good order of the AGM.

Please ensure that all electronic equipment (including mobile phones) is switched off throughout the AGM.

Tea and coffee will be available before the Meeting and light refreshments will be served afterwards.

### Shareholder enquiries

Link Asset Services maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

### American Depositary Receipt enquiries

BNY Mellon maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary Shares, you should contact BNY Mellon, Shareowner Services, Computershare, P.O. Box 30170, College Station TX 77842-3170, USA or [shrelations@cpushareownerservices.com](mailto:shrelations@cpushareownerservices.com).

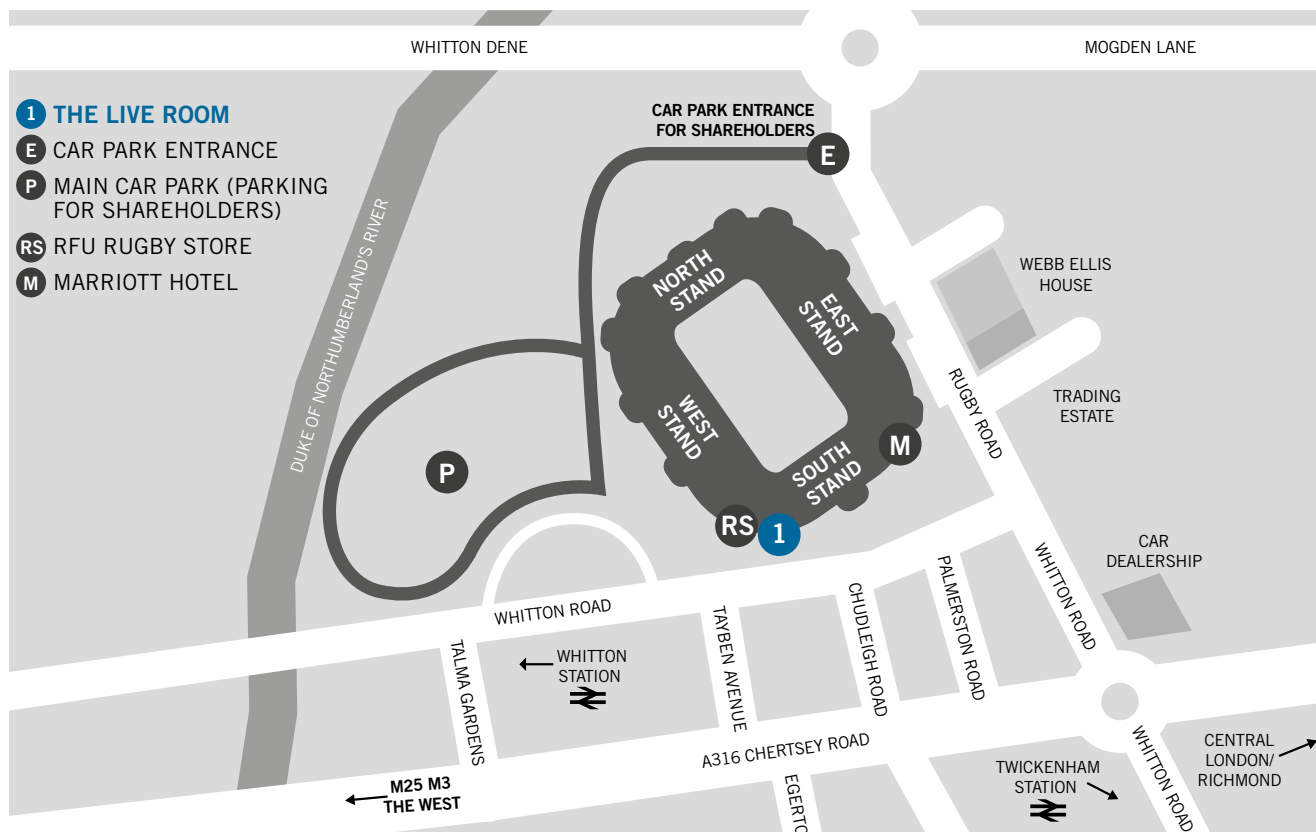
### Data protection statement

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

### Published information

If you would like to receive this Notice and/or a copy of the Annual Report 2017 in an appropriate alternative format, such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Our 2017 Annual Report and this Notice are available at [www.compass-group.com](http://www.compass-group.com).





## GLOSSARY OF TERMS

Capital employed	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Constant currency	Restates the prior year's results to the current year's average exchange rates.
EM & OR restructuring	Emerging Markets and Offshore & Remote restructuring.
Free cash flow	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests.
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net debt	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
Net debt to EBITDA	Net debt divided by underlying EBITDA.
NOPAT	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Organic profit	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53 <sup>rd</sup> week has been excluded from the prior year's underlying operating profit.
Organic revenue	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53 <sup>rd</sup> week has been excluded from the prior year's underlying revenue.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	<ul style="list-style-type: none"> <li>• acquisition transaction costs</li> <li>• adjustment to contingent consideration on acquisition</li> <li>• amortisation of intangibles arising on acquisition</li> <li>• change in the fair value of investments</li> <li>• other financing items including hedge accounting ineffectiveness</li> <li>• profit/(loss) on disposal of businesses</li> <li>• share-based payments expense relating to non-controlling interest call options</li> <li>• tax on share of profit of joint ventures</li> </ul>

## GLOSSARY OF TERMS CONTINUED

Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying depreciation and amortisation.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Free cash flow adjusted for cash restructuring costs in the year relating to the 2012 and 2013 European exceptional programme.
Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin – Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin – Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying operating profit – Group	Includes share of profit after tax of associates and profit before tax of equity accounted joint ventures but excludes the specific adjusting items.
Underlying operating profit – Region	Includes share of profit before tax of equity accounted joint ventures but excludes the specific adjusting items, profit after tax of associates and EM & OR restructuring.
Underlying profit before tax	Excludes specific adjusting items.
Underlying revenue	The combined sales of Group and share of equity accounted joint ventures.
Underlying tax charge	Excludes tax attributable to specific adjusting items.

## FORWARD LOOKING STATEMENTS

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements.

Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the food and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates.

Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure 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 Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.



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