



COMPASS GROUP (AUSTRALIA) PTY LTD

TAX TRANSPARENCY REPORT

30 SEPTEMBER 2017



Compass Group (Australia) Pty Ltd (Compass Group Australia) and its Australian joint ventures are world-class providers of contract food and support services to clients across Australia. This includes providing meals to workers on defence, mining and oil and gas sites, operating school and business cafeterias, and food to patients at hospitals and aged care facilities. Compass Group Australia is an Australian corporation ultimately owned by Compass Group PLC (the Group), a publicly-listed UK company, however Compass Group Australia operates only within Australia.

Compass Group PLC, as the ultimate shareholder of Compass Group Australia, makes significant disclosures in relation to its tax obligations, and publishes a tax policy in its Annual Report which can be accessed [here](#).

Consistent with the Group's published Tax Policy, Compass Group Australia adopts an approach to tax that balances the various interests of its stakeholders – employees, customers, investors, suppliers, subcontractors, governments and the wider community. Compass Group Australia also has a detailed tax risk management policy which ensures all tax compliance obligations are met in a timely manner and comply with the applicable tax law. Compass Group Australia aims to pursue a principled and sustainable tax policy that has strong commercial merit, and upholds the Group's reputation.

Compass Group Australia employs more than 10,000 employees, and has approximately 15 regional offices and 1,200 sites in Australia, making a significant contribution to the Australian economy. During 2017 Compass Group Australia also operated five incorporated joint ventures with its indigenous partners, providing employment opportunities as well as financial rewards to the indigenous community. During the 2017 income year, Compass Group Australia has paid A\$50.7 million in direct taxes and collected A\$288.1 million on behalf of various Australian levels of government.

On behalf of the Australian board, I am pleased to present Compass Group Australia's tax transparency report for the year ended 30 September 2017, which aligns with the Group's values of Openness, Trust and Integrity in everything we do.

Michael Lambourne  
Executive Director Finance

In 2017, Compass Group Australia paid A\$50.7 million in direct taxes and collected A\$288.1 million on behalf of various Australian levels of government.

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<sup>1</sup> The results presented in this report are based on the Australian economic group, which consolidates the results of all Compass Group Australia's joint ventures. ESS Larrakia Pty Ltd, a 50:50 incorporated joint venture, is accounted for as an associate.

## Disclosures - Part A - Income tax expense

The following tables provide a reconciliation of Compass Group Australia's accounting profit to income tax expense for 30 September 2017.

Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Compass Group Australia's liability for current tax is calculated using the Australian tax rate (30%).

<b>Operating profit / (loss) before tax</b>	67,427
<b>Prima facie tax expense (at 30%)</b>	20,228
<b>Permanent differences</b>	330
<b>Temporary differences</b>	7,128
- Employee entitlements	(2,237)
- Other provisions and accruals	3,407
- Deferred income	5,943
- Prepayments	(315)
- Foreign exchange	294
- Tax losses in subsidiaries	36
<b>Current tax expense / (benefit) (income tax payable for the year)</b>	
Deferred tax expense	(7,128)
- Deferred tax expense (current year)	(6,760)
- Deferred tax expense (derecognition of DTAs)	(367)
<b>Income tax expense (current year)</b>	20,558
Current tax of prior years	(5,135)
Deferred tax of prior years	5,692
<b>Total income tax expense</b>	<b>21,115</b>

## Reconciliation of income tax payable

As income tax is paid during the year, with a final liability due in March of the following year, amounts of income tax may be payable or refundable at year end. The table below summarises the income tax payable for the year ended 30 September 2017.

Income tax paid	2017 A\$'000	
<b>Income taxes payable/(refundable) at beginning of financial year</b>		(2,228)
Amended tax returns / true-ups		(5,265)
Less: income tax paid during the year		(21,998)
Income taxes payable for the current year		27,686
Amounts refunded due to overpayment	(2,237)	14,981
<b>Income taxes payable as at year end</b>	<b>3,407</b>	<b>13,175</b>

## Accounting and Tax Transparency Code (TTC) effective tax rates

Compass Group Australia's effective tax rate is the income tax expense divided by its accounting profit. The effective tax rate will differ to the company tax rate due to non-temporary differences. Non-temporary differences are amounts which are recognised for either accounting purposes or tax purposes, but not both.

For FY2017, Compass Group Australia's effective tax rate is higher than the statutory rate due to various non-deductible expenditure, including, primarily, share based payment expenses and the derecognition of tax losses held by some of Compass Group Australia's joint ventures.

Compass Group Australia's Effective Tax Rate	
2017 A\$'000	
<b>Income tax expense</b>	21,115
<b>Accounting profit before tax</b>	67,427
<b>Accounting and TTC effective tax rate</b>	<b>31.86%</b>

## Reconciliation of income tax payable

Income tax payable is taxable income multiplied by 30%, reduced by franking credit offsets in relation to dividends paid to Compass Group Australia. This amount is different to the amount below in the reconciliation of tax payable because the 2017 tax payable was paid partly in the 2017 income year, and partly in the 2018 income year under normal payment rules. In addition, certain controlled entities fall below the thresholds for reporting under the ATO tax transparency reporting requirements.

	Compass Group (Australia) Pty Ltd	ESS Thalanyji Pty Ltd
<b>ABN</b>	41000683125	89141801541
<b>Gross income</b>	1,130, 439, 968	211, 889, 232
<b>Taxable income</b>	74,099,244	39,692,956
<b>Tax payable</b>	15,640,172	11,907,886

## **Part B - Tax policy and governance summary**

### **Compass Group Australia's Tax Policy**

Compass Group Australia is committed to creating long-term shareholder value through the responsible, sustainable and efficient delivery of its key business objectives. This enables Compass Group Australia to grow the business and make significant investments into its operations.

### **Principles and attitude to planning**

Compass Group Australia conducts its tax affairs according to the following principles and objectives:

- To comply with Australian laws, regulations and reporting requirements, follow the guidance of the ATO, and international guidance provided by the OECD
- Compass Group Australia's tax policy is at all times consistent with Compass Group's overall policy, approach to risk, and the Group's Code of Business Conduct and Code of Ethics
- Compass Group Australia will use incentives and reliefs (for example R&D credits) efficiently where appropriate to sustainably support our business, reflecting the commercial substance of business activity

### **Risk management, governance and compliance**

In an increasingly complex international corporate tax environment, a degree of risk is inevitable and uncertain tax positions may arise. Tax risk can arise from unclear regulations and differences in interpretation, but most significantly where governments apply diverging standards in assessing intragroup cross border transactions. This is a key tax risk area for many multinational organisations.

Compass Group manages and assesses these risks through a framework of documented standards and procedures called Key Financial Controls (KFCs) that sit within the Group's formal governance arrangements. This ensures that risks are managed and controlled in a proactive manner and in doing so, Compass Group exercises its judgement and seeks appropriate advice from reputable professional firms, when required.

Compass Group's tax function is part of the Group Finance team and reports to the Group Finance Director. The Head of Group Tax leads a team that has specific functional and geographic responsibility and includes specialists in corporate income taxes, transfer pricing, indirect taxes and employment taxes. In Australia, the General Manager of Tax reports to the Australian Finance Director.

Global tax risks are reviewed by the Audit Committee every six months and by the Board annually. Tax risks for the Australian business are reviewed quarterly by both the Australian leadership team and the Regional Governance Committee.

### **Working with the ATO**

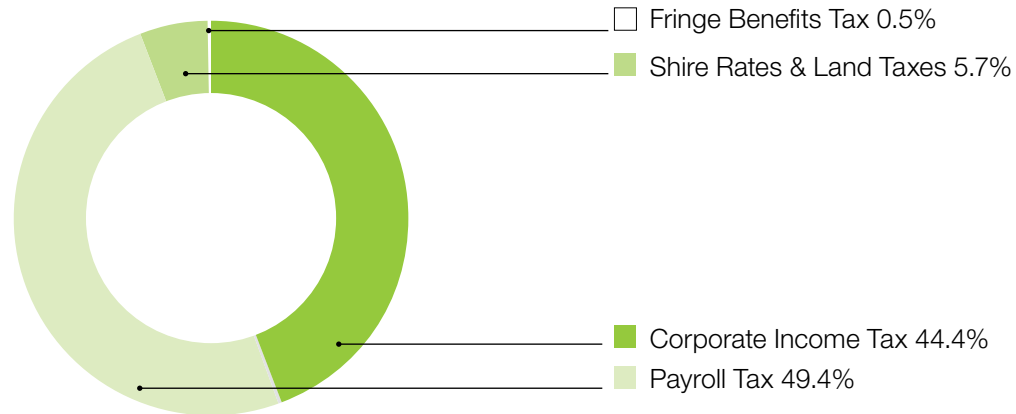
Compass Group Australia plans and manages its tax affairs efficiently. In doing so the business acts in accordance with all relevant laws and disclosure requirements. Compass Group Australia aims to foster an open and constructive relationship with the ATO that is based on integrity, honesty and mutual respect. Compass Group Australia is committed to proactive discussions to expedite agreement of tax matters, and engage with the ATO proactively (including through binding advice).

## Part B - Tax contribution summary

The tax contribution of a business in Australia includes more than just corporate income tax. As a high volume foodservice business, Compass Group Australia is a significant employer and therefore pays significant amounts of payroll and related taxes in respect of its employees, as well as providing over 10,000 Australian jobs. A summary of Compass Group Australia's total tax contribution summary is provided below:

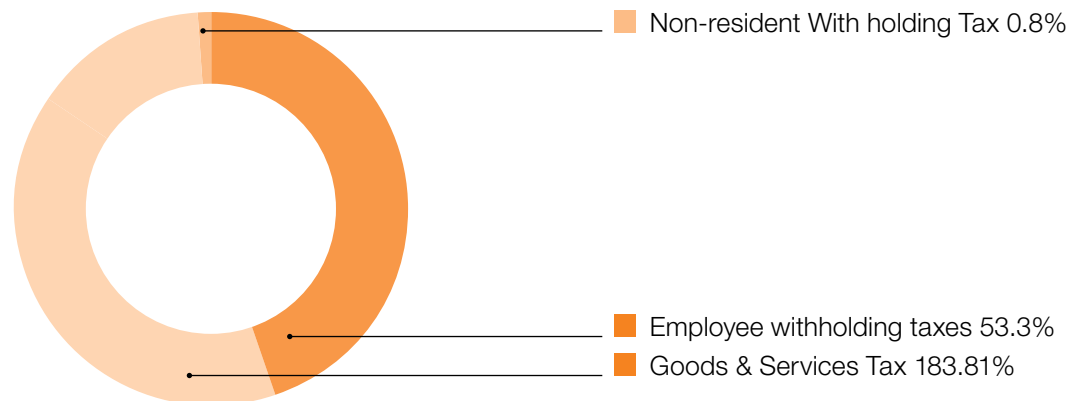
### Taxes Borne

Taxes Borne	A\$'000
Corporate income tax	21,482
Fringe benefits tax	222
Payroll tax	23,896
Shire rates & land taxes	2,731
<b>Total</b>	<b>48,331</b>



### Taxes Collected

Taxes Collected	A\$'000
Employee withholding taxes	183,811
Goods & services tax	104,199
Non-resident withholding tax	2,368
<b>Total</b>	<b>290,378</b>





## Part B - International related party dealings

Compass Group Australia is a member of Compass Group PLC, the world's largest foodservice business with revenues of £22,852 billion for FY2017 and a leader in providing innovative foodservice solutions to clients.

Australian and international tax laws require Compass Group Australia to pay for access to the Group's best practice, intangible property and funding as if it were a wholly separate business acting at arm's length. Therefore, transactions with other Group members are required to be priced as though the businesses were independent parties. A summary of Compass Group Australia's cross-border related party transactions is provided below:

- **Brands and best practices** - As a member of the world's leading foodservice business, Compass Group Australia pays for access to global brands and best practice which gives the business a competitive advantage in the Australian market, which is provided primarily by the UK head office. Withholding taxes have been paid where applicable.
- **Funding** - Compass Group Australia has previously received long term funding from the Group to expand the Australian business, thus helping the business to grow and create jobs. Much of this funding was used to finance the Gateway Village project in Port Hedland in 2014, which has been provided by Japan and the Netherlands.
- **Cash deposit facility** - Compass Group Australia has short term cash balances on deposit with its parent, Compass Group PLC, for which it earns interest that is taxed in Australia.

### Transfer pricing documentation and compliance

Compass Group Australia prepares contemporaneous transfer pricing documentation to demonstrate that the prices paid and received from its related group companies comply with the arm's length principle. This documentation is reviewed by both our statutory auditors and external advisors to ensure that it complies with Australian and international tax law.

Total net amounts paid to related parties constituted 3.99% of total costs for the business during FY2017.

## Compass Group's global market-leading brands

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### Business and Industry

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.



**Restaurant  
Associates**

### Healthcare and Aged Care

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

From kindergarten to university, 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.



### Defence, Offshore and Remote

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.





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