



Compass Group PLC
Annual Results Announcement
For The Year Ended 30 September 2010

Rewarding shareholders and investing in growth

- Revenue £14.5 billion ↑ 7.6% (constant currency +4.7%, organic +3.2%)
 - Underlying operating profit £1,003 million ↑ 13% (constant currency +11%)
 - Total reported operating profit £989 million ↑ 13%
 - Underlying operating margin 6.9% ↑ 40 basis points
 - Underlying earnings per share 35.7 pence ↑ 19% (constant currency +15%)
 - Total dividend rebased up to 17.5 pence ↑ 33%
 - Free cash flow £744 million ↑ 25%
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Richard Cousins, Chief Executive, said:

“Compass has delivered another year of strong performance, despite the challenging economic conditions. Encouragingly, we have seen a return to organic revenue growth this year of 3.2%. Our ongoing focus on operational efficiency has enabled us to both invest in future growth and deliver another increase in the margin of 40 basis points. We are using our cash flow to make important infill acquisitions and to reward our shareholders and we are today announcing a rebasing of the total dividend up to 17.5 pence. We have considerable flexibility in our balance sheet and we will continue to keep its structure under review. Looking forward, whilst economic conditions remain challenging, we are excited by the growth opportunities we have around the world and the new business pipeline is strong. We continue to be relentless in our pursuit of operating efficiency and in an environment where cost remains high on the agenda, we are well placed to deliver quality food and support services solutions to our clients.”

A handwritten signature in cursive script that reads "Richard Cousins".

Sir Roy Gardner, Chairman, said:

“I am delighted by the progress the Group has made, delivering another excellent performance with record profits of over £1 billion. We have significant opportunities to continue to grow the business and Compass is well placed to exploit the structural growth opportunity in both food and support services around the world. We are particularly excited by the potential of the fast growing and emerging economies in which we operate. Furthermore, support services is becoming a new engine of growth. Our relentless focus on operating efficiency should enable us to continue to reinvest in the business, whilst delivering steady margin expansion. In addition, the strength of our cash flow is enabling us to both reward shareholders and to accelerate growth through value creating infill acquisitions.”

A handwritten signature in cursive script that reads "Roy Gardner".

Chief Executive's Statement

Delivering our strategy

Organic revenue growth returning together with further efficiencies and strong margin growth

Group overview

Reported revenue has grown by 7.6% in the year, 4.7% on a constant currency basis. Adjusting for the impact of acquisitions and disposals, organic revenue growth was 3.2% for the year. Very encouragingly, in 2010, we have seen a gradual improvement in the rate of new business wins to 9.5%.

The Group operating margin has increased by 40 basis points in 2010, taking the total improvement over the last four years to 250 basis points. In the earlier years this was achieved by turning around or exiting loss making contracts and countries, and removing divisions and layers of unnecessary cost. We are now embedding the MAP framework deeper in the business resulting in more efficient processes throughout our operations. This, together with the ability to leverage our overheads with a growing revenue base, underpins our expectation of further steady progress in the margin. We have delivered £92 million of constant currency operating profit growth as follows:

£38 million of net new business growth

In the last four quarters we have seen an increase in new business wins throughout the Group, reaching 10% for the second half of the year. We have re-focused the business on growth, invested in sales resource where needed and reflected the change in focus in our employee incentive plans.

Over the year retention has improved slightly to 93.2%. This reflects fewer bankruptcies and corporate failures as well as the increased investment in retention. The Strategic Alliance Group, our best practice model for retention created in the USA, is continuing to gain real traction across the Group.

£24 million of base estate profit growth

Like for like growth

Like for like revenues are now showing clear signs of stabilisation as headcounts at our client sites level off and the sharp reduction in event catering and corporate hospitality begins to abate. However, we continue to see little evidence of real employment growth in our major markets and we are therefore expecting little immediate improvement in like for like revenues.

Cost efficiencies

We have continued to deliver productivity and efficiency savings from both food and other unit costs. Our focus on MAP 3 has delivered further gross margin improvement through ongoing initiatives including the rationalisation of our product and supplier base, supply chain optimisation and TrimTrax, our waste reduction programme. Menu planning remains a real opportunity going forward, developing a more consistent high quality offer, delivered in a more efficient way. In MAP 4, we have made some modest improvements in labour productivity and continue to reduce unnecessary unit overhead spend. Whilst we have made further progress, we believe there is still much more to do.

£20 million of above unit cost savings

We have made further solid progress in the area of above unit costs which, excluding the impact of acquisitions, have been reduced by a further £20 million in the year. In addition to taking cost out, we continue to redeploy resources from back of house to sales and operations, supporting our top line growth. Between 2005 and 2010 we have reduced our above unit costs by over £100m (around 10%), whilst at the same time growing revenue by over 20%. We continue to strive to remove inefficient processes and to operate with flatter organisational structures.

£11 million from acquisitions net of disposals

This relates mainly to the incremental operating profit (after integration costs) from the acquisitions of Kimco and Southeast Service Corporation in the USA, Hurley Corporation in Canada, Plural in Germany, Caterine Restauration in France and a number of McColls retail outlets in the UK.

Strategy

Our strategy remains unchanged - to continue to focus on foodservice whilst building on the fast growth in our support services business. Our scale within countries enables us to drive efficiencies; our global reach and capability allow us to successfully bid for significant outsourcing opportunities around the world and to serve multinational clients. Sectorisation is a fundamental part of our strategy and we have built big businesses in all of the key market sectors.

Our business model also remains unchanged - to deliver attractive levels of organic revenue growth whilst driving sustainable profit and margin improvement. In combination with disciplined capital spend and tight control over working capital, this should result in strong cash flows. We will continue to invest in further growth, both organically and in value creating infill acquisitions. We believe this will deliver real value to our shareholders.

Our biggest growth engine in absolute terms is the USA where we have an excellent business and the culture is receptive to outsourcing. We have considerable scope to continue to grow in the other developed economies around the globe where we operate and the increasing demand for multi-services in these markets is providing a further engine for growth. Importantly, 17% of our business is now in fast growing and emerging economies. These markets offer the opportunity of double-digit revenue growth.

The foodservice opportunity remains significant, with outsource penetration rates of under 50% in the £200bn industry. In soft support services, the market is similar in size and only 38% outsourced. We see scope to increase the level of support services business both through further bundling with foodservice and the increasing trend to outsourcing. We are building our global competence with platforms being established to deliver a multi-service offer to the Healthcare, Business & Industry and Education sectors. Today, multi-services makes up 20% of the Group's revenues, with significant new multi-service business won again this year.

With acquisitions, our strong preference is for small to medium sized businesses in our existing geographies. Foodservice acquisitions will be underpinned by our desire to grow the Healthcare and Education sectors and to create scale, particularly in our emerging countries. Our support services strategy is to build capability across our businesses and to facilitate cross selling activity. In 2010, we spent £205 million on acquisitions including the foodservice businesses of Tirumala Hospitality Services in India and Caterine Restauration in France and the support services businesses of IDA Services in Denmark, the VSG Group in the UK, Clean Mall in Brazil, Southeast Service Corporation in the USA and Hurley Corporation in Canada.

We continue to focus on efficiencies but also believe that a more sustainable business model will be based upon reinvestment of some of these efficiencies in revenue growth. Our focus therefore is to strike the right balance between delivering healthy top line growth and steady margin expansion.

Outlook

Compass has delivered another year of strong performance, despite the continuing challenging economic conditions. The return to organic revenue growth is encouraging.

Looking forward, Compass is well placed to exploit the significant structural growth opportunity in both food and support services around the world. The pipeline of new business is strong and in an environment where cost efficiency remains high on the agenda, we believe the benefits of outsourcing are clear.

Our relentless focus on operating efficiency should enable us to continue to re-invest in growth whilst delivering steady margin expansion. In addition, the strength of our cash flow is enabling us both to reward shareholders and to accelerate growth through value creating infill acquisitions. Our confidence in the future is reflected in the Board's decision to rebase the dividend with an increase of 33% for the full year.



Richard Cousins
Group Chief Executive
24 November 2010

Business Review

Focus on growth starting to deliver

Despite challenging economic conditions, we have seen a return to organic revenue growth. The continued delivery of significant efficiency gains is enabling us to drive margin improvement as well as to reinvest in the exciting opportunities around the world.

Financial Summary

	2010	2009	Increase
Continuing operations			
Revenue			
Constant currency	£14,468m	£13,820m	4.7%
Reported	£14,468m	£13,444m	7.6%
Organic growth	3.2%	0.0%	-
Total operating profit			
Constant currency	£1,003m	£911m	10.1%
Underlying	£1,003m	£884m	13.5%
Reported	£989m	£877m	12.8%
Operating margin			
Constant currency	6.9%	6.5%	40bps
Underlying	6.9%	6.5%	40bps
Reported	6.8%	6.5%	30bps
Profit before tax			
Underlying	£922m	£784m	17.6%
Reported	£913m	£773m	18.1%
Basic earnings per share			
Underlying	35.7p	30.0p	19.0%
Reported	35.3p	29.5p	19.7%
Free cash flow	£744m	£593m	25.5%
Total Group including discontinued operations			
Basic earnings per share	36.0p	31.7p	13.6%
Total dividend per ordinary share	17.5p	13.2p	32.6%

(1) Constant currency restates the prior year results to 2010's average exchange rates.

(2) Total operating profit includes share of profit of associates.

(3) Underlying operating profit excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs and share based payments expense – minority interest call option.

(4) Operating margin is based on revenue and operating profit excluding share of profit of associates.

(5) Underlying profit before tax excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs, share based payments expense – minority interest call option, hedge accounting ineffectiveness and the change in fair value of minority interest put options.

(6) Underlying basic earnings per share excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs, share based payments expense – minority interest call option, hedge accounting ineffectiveness, the change in fair value of minority interest put options and the tax attributable to these amounts.

Segmental Performance

	Revenue		Revenue Growth		
	2010 £m	2009 £m	Reported	Constant Currency	Organic
North America	6,369	5,806	9.7%	8.6%	5.8%
Continental Europe	3,506	3,429	2.2%	1.0%	0.1%
United Kingdom & Ireland	1,782	1,829	(2.6)%	(2.6)%	(3.3)%
Rest of the World	2,811	2,380	18.1%	5.8%	6.1%
Total	14,468	13,444	7.6%	4.7%	3.2%

	Operating Profit		Margin	
	2010 £m	2009 £m	2010 %	2009 %

Continuing operations

North America	491	438	7.7%	7.5%
Continental Europe	248	232	7.1%	6.8%
United Kingdom & Ireland	114	114	6.4%	6.2%
Rest of the World	204	151	7.3%	6.3%
Unallocated overheads	(60)	(58)	-	-
Excluding associates	997	877	6.9%	6.5%
Associates	6	7	-	-
Underlying	1,003	884	6.9%	6.5%
Amortisation of fair value intangibles	(7)	(7)		
Acquisition transaction costs	(5)	-		
Share based payments expense – minority interest call option	(2)	-		
Total	989	877		

(1) Constant currency restates the prior year results to 2010's average exchange rates.

(2) Operating profit includes share of profit of associates.

(3) Underlying operating profit and margin excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs and share based payments expense – minority interest call option.

(4) Operating margin is based on revenue and operating profit excluding share of profit of associates.

(5) Organic growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full year in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior year at current year exchange rates) and compares the current year results against the prior year.

Revenue

Overall, organic revenue growth was 3.2%, comprising new business of 9.5%, a retention rate of 93.2% and like for like growth of 0.5%. The revenue performance was a little stronger than expected, benefiting from a number of extra working days in the final quarter compared with the same period last year. Normalising for the extra working days in the final quarter, organic revenue growth was 0.4% in the first half of 2010 and 5.5% in the second half. Acquisitions less disposals increased revenue by 1.5% and the significant weakening of Sterling, in particular against the Australian Dollar and Brazilian Real, increased reported revenues by 2.9%, resulting in reported revenue growth of 7.6%.

Operating Profit

Underlying operating profit from continuing operations was £1,003 million (2009: £884 million), an increase of 13.5%. On a constant currency basis, underlying operating profit increased by £92 million (10.1%). This represents a 40 basis points improvement in margin to 6.9% (2009: 6.5%).

Operating profit after the amortisation of intangibles arising on acquisition of £7 million (2009: £7 million), acquisition transaction costs of £5 million (2009: nil) and a share based payments expense – minority interest call option of £2 million (2009: nil) was £989 million (2009: £877 million).

North America

44.0% Group revenue (2009: 43.2%)

Our North American business has delivered an excellent performance. Revenues were £6.4 billion (2009: £5.8 billion), with organic growth of 5.8%. Operating profit increased by £49 million, 11% on a constant currency basis, to £491 million (2009: £442 million on a constant currency basis). The efficiency initiatives implemented throughout the previous year have flowed in to the current year, contributing to a full year margin improvement of 20 basis points on a constant currency basis.

The Business & Industry sector has delivered solid results despite continuing pressure on like for like volumes and the consumer demand for 'value' with good new business wins and retention. The trading environment remains challenging. Increased focus on marketing and retail analysis to drive participation and spend combined with tight cost management has enabled the sector to deliver another year of increased profit. New contract wins include The Gates Foundation's new campus site and Amazon.com's HQ, both located in Seattle, and Sun Microsystems, part of the larger Oracle contract.

In Healthcare, our support services offer, strengthened by recent acquisitions, has contributed to the delivery of good new business wins as well as excellent levels of retention. For example, we have recently been appointed to provide support services to The Northeast Health System, an integrated healthcare system near Boston, and HCA in West Florida which has a comprehensive network of hospitals and medical facilities.

In the Education sector, new business has remained strong and we have delivered double digit organic revenue growth. The recent acquisition of Southeast Service Corporation, a support services provider, has enabled us to extend our range of support services to the Education sector, as well as further enhancing our support services capability in the Business & Industry and Healthcare sectors. We have recently won the foodservice contracts for the Adams Country Schools district in Colorado covering over 10,000 students, the Rochester Community Schools district and Andrews University, one of the oldest educational establishments in Michigan.

In Levy, our Sports & Leisure business, double digit new business and excellent retention, combined with a continued focus on cost efficiencies, has contributed to a solid performance. Exciting wins include a significant contract at the Boston Convention & Exhibition Center and John B. Hynes Veterans Memorial Conference Center, which has the capacity of serving 30,000 meals per day, the Amway Centre (home to the Orlando Magic of the NBA and the Orlando Predators of the AFL) and the Xcel Energy Centre, a multi purpose arena in Minnesota.

In Canada, we have recently commenced operations for Vale Inco, a leading producer of nickel, providing multi-services to a large remote camp in Newfoundland. We have also won the Ontario Power Generation food supply contract. The integration of Hurley Corporation, a soft support services provider acquired earlier in the year, is proceeding well.

Continental Europe

24.2% Group revenue (2009: 25.5%)

Economic conditions in parts of Continental Europe remained quite challenging during the year. Whilst we have generally seen increasing levels of new business, like for like volumes in the Business & Industry sector have been difficult. Overall, revenue in Continental Europe totalled £3.5 billion (2009: £3.4 billion) and organic growth is broadly flat at 0.1%. Management of the flexible cost base and ongoing efficiency gains resulted in operating profit of £248 million (2009: £235 million on a constant currency basis), an increase of 6%, and a margin improvement of 30 basis points to 7.1%.

New contract wins include prominent wins in Education such as the University of Lucerne in Switzerland and, Fontys University of Applied Sciences and the Eindhoven University of Technology, both in the Netherlands. New business has also been particularly encouraging in Russia, where we have now extended our business to St. Petersburg. In Turkey, we have secured some very significant wins including Turk Telekom and nationwide food and support services for Sabanci Group.

In France we have won the contract to cater for the public at Roland-Garros, the French Open, and a new contract to serve 2,400 meals daily at Credit Agricole. Integration of Caterine Restauration, acquired earlier in the year, is progressing well and this business has further strengthened our position in the Education and Healthcare foodservice sectors. A focus on driving cost efficiencies, particularly in the supply chain and through waste reduction initiatives, has moved the margin forward.

In Germany, good progress has been made on margin development despite challenging trading conditions in key sectors. In Business & Industry we have won exciting new contracts with Accenture GmbH to provide food services to both staff and clients and with IBM to provide food services including Shop2go and Dallucci retail outlets. At Philips Medical Systems in Hamburg, we are now servicing a staff restaurant, providing hospitality services and managing the employee shops.

The Nordic region has seen strong new business wins in both food and multi-services, including the Sundsvall campus at Mid Sweden University and Capgemini Norge AS in Norway. In Denmark, the recent acquisition of IDA Service A/S, a multi-service business, is providing both cross-selling opportunities and synergies.

Italy has once again delivered an encouraging margin improvement and has gained further significant support service business with Trenitalia and Rete Ferroviaria Italiana (Italian Railways). Also, in addition to extending our important foodservice contract with the major global oil and gas group Eni, we have successfully widened our relationship with them by being awarded our first offshore contract in the Adriatic Sea.

The Spanish business has had the backdrop of particularly difficult economic conditions; however, there are signs that volumes are gradually becoming more stable. Simplification of the management structure and further improvements in purchasing and logistics processes are providing a solid base for future growth. Notable wins in the year include ISBAN, part of the Santander Group, and a multi-site contract with Mapfre Quavitaе.

UK & Ireland

12.3% Group revenue (2009: 13.6%)

Encouragingly, we have seen some progressive improvement in organic revenue trends in the UK & Ireland business, from a 5.7% decline in the first half of the year to only a 1% decline in the second half. This is despite challenging economic conditions continuing to impact like for like volumes in the Business & Industry and Sports & Leisure sectors. The improvement is driven by a slight acceleration in new business wins and improvement in the rate of retention. Overall, revenues were £1.8 billion (2009: £1.8 billion). We have continued to work hard across the business, moving resources closer to clients and consumers and streamlining back office activities. This has improved margins by 20 basis points. Operating profit remained flat at £114 million (2009: £114 million).

In the Business & Industry sector we have continued to win high quality new business in both catering and support services. For example, we have won the contract to cater for 10,000 Virgin Media employees across 17 locations and renewed our contract with the Bank of England to provide staff catering, executive dining and hospitality. We have continued to focus on driving labour cost efficiencies, reducing the overall cost significantly.

We have seen good growth in the Healthcare sector, through increasing levels of new business wins and good like for like volume growth. The extension of our Healthcare retail offer has been a significant driver of this growth. The introduction of Steamplicity, the Spice of Life brand and the Medirest Way at the Homerton Hospital supported our retention of this important contract to provide both food and soft support services.

Our work over the last few years in the Education sector is continuing to deliver benefits. We have recently won a prestigious new contract with Rugby School, one of the leading independent schools in the country, and retained our contracts with Sevenoaks School and Bedford School. We have continued to make progress on productivity where a focus on labour hours and unit overheads have driven margin improvements.

We have continued our success in winning new business in the Sports & Leisure sector. For example, we have won a new contract with the Barbican in London where we now operate a number of public restaurants and have extended our contract with ExCel London to service the exhibition areas and new retail sites as well as the hospitality services. We have a continued focus on costs, particularly labour and in unit overheads, to mitigate the impact on profit of the decline in hospitality revenues that the sector has seen over the last 18 months.

Rest of the World

19.5% Group revenue (2009: 17.7%)

Our Rest of the World businesses have delivered strong organic revenue growth of 6.1%. Operating profit increased by £33 million, or 19.3%, on a constant currency basis to £204 million (2009: £171 million on a constant currency basis). The margin has increased by 90 basis points on a constant currency basis to 7.3% and this is now in line with the Group's other geographic regions. Going forward, the Rest of the World margin growth is now expected to progress more inline with the other geographic regions

We are continuing to see good levels of new business wins across most countries in the region, including new contracts with Kinross Mining in Chile and Kimberley Clark in Argentina. The drive for overhead efficiencies, coupled with restructuring programs, has contributed to the excellent margin progression.

Good organic revenue growth in Australia has been driven by strong levels of new business wins across all sectors. In the remote site sector, which comprises the majority of the business, we have been awarded new contracts to provide a wide range of food and support services by Citic Pacific Mining at the Eramurra village near Fortescue River and by Wesfarmers Curragh at their Central Queensland mine. The Royal Victorian Eye and Ear Hospital awarded us a new multi-service contract in the Healthcare sector, which continues to provide excellent opportunities for future growth. Australia has delivered further margin improvement in the year by focusing on all areas of MAP, for example implementing Trim Trax, the Group's waste reduction programme, reducing labour turnover and increasing focus on reducing discretionary overhead spend.

With the large Business & Industry and Sports & Leisure sectors in Japan, revenue growth during the year has been a challenge. However, excellent progress on control of costs, for example labour hours and consolidating suppliers and products, has delivered a further 100 basis points improvement in the margin.

In Brazil, strong new business wins and improving like for like revenues have delivered double-digit organic revenue growth. The pipeline continues to look strong and retention remains a key focus. The margin has increased reflecting the continued drive for efficiencies across all cost lines. The acquisition of the support service specialist Clean Mall earlier in the year continues to be integrated in to the business. This acquisition has enhanced our ability to provide a multi-service offer to clients, particularly in the Business & Industry and Healthcare sectors.

In South Africa, encouraging levels of new business have been achieved especially in the Education sector with exciting wins such as The University of Venda and the Central University of Technology. The combined number of students on site in these two institutions is over 24,000.

Our UAE based business has delivered improved margins reflecting a focus on efficiency, especially in food and logistics. Growth in support services remains strong with large contract wins contributing to double-digit organic revenue growth.

Our businesses serving the energy and extraction sectors, which have a focus on blue chip international clients, have continued to deliver solid double-digit organic revenue growth and maintained excellent retention rates.

Unallocated Overheads

Unallocated overheads for the year were £60 million (2009: £58 million), reflecting some reinvestment in the central sales and marketing teams.

Finance Costs

The underlying net finance cost was £81 million (2009: £100 million). This reflects the lower levels of debt compared to last year. At current exchange rates, we now expect the underlying net finance cost for 2011 to be around £70 million, including a charge of around £17m relating to the defined benefit pension schemes.

Other Gains and Losses

Other gains and losses include a £4 million credit (2009: £7 million cost) relating to hedge accounting ineffectiveness and £1 million credit (2009: £3 million credit) impact of revaluing investments and minority interest put options.

Profit Before Tax

Profit before tax from continuing operations was £913 million (2009: £773 million).

On an underlying basis, profit before tax from continuing operations increased by 18% to £922 million (2009: £784 million).

Income Tax Expense

Income tax expense from continuing operations was £246 million (2009: £221 million).

On an underlying basis, the tax charge on continuing operations was £248 million (2009: £224 million), equivalent to an effective tax rate of 27% (2009: 29%). This reduction reflects lower effective corporate tax rates in a number of countries and we continue to expect the tax rate to average out around the 27% level in the short- to medium-term.

Discontinued Operations

The profit after tax from discontinued operations was £13 million (2009: £40 million), principally reflecting the release of surplus provisions on the expiration of various warranty periods.

Basic Earnings per Share

Basic earnings per share, including discontinued operations, were 36.0 pence (2009: 31.7 pence).

On an underlying basis, excluding discontinued operations, the basic earnings per share from continuing operations were 35.7 pence (2009: 30.0 pence).

	Attributable Profit		Basic Earnings Per Share		
	2010 £m	2009 £m	2010 Pence	2009 pence	Change %
Reported	675	586	36.0	31.7	14%
Discontinued operations	(13)	(40)	(0.7)	(2.2)	
Other adjustments	9	8	0.4	0.5	
Underlying	669	554	35.7	30.0	19%

Dividends

It is proposed that a final dividend of 12.5 pence per share will be paid on 28 February 2011 to shareholders on the register on 28 January 2011. This will result in a total dividend for the year of 17.5 pence per share (2009: 13.2 pence per share), a year on year increase of 32.6%. The dividend is covered just over 2 times on an underlying earnings basis and 2.9 times on a free cash basis.

Free Cash Flow

Free cash flow from continuing operations totalled £744 million (2009: £593 million). The major factors contributing to the increase were: £120 million increase in underlying operating profit before associates and £76 million higher working capital inflow offset by £51 million higher net capital expenditure.

Gross capital expenditure of £334 million (2009: £287 million), including amounts purchased by finance lease of £3 million (2009: £4 million) and capital creditors of £2 million (2009: nil), is equivalent to 2.3% of revenues (2009: 2.1% of revenues). We currently expect the ratio of gross capital expenditure for 2011 to be at a similar level. Proceeds from the sale of assets were £19 million and we expect these will be minimal in 2011.

Working capital continues to be well managed, delivering an overall £84 million working capital inflow in the year. We have again made good progress in managing all of the key components of working capital and we have had the benefit of some cut-off timing differences at the year end. We believe that there remains further scope for improvement, averaging out over time at neutral to a small inflow.

The cash tax rate for the year was 22% (2009: 21%), based on underlying profit before tax for the continuing operations, benefiting from one or two large refunds received in the year. We currently expect the cash tax rate to average out around the 27% level for the short- to medium-term.

The net interest outflow for the year was £72 million (2009: £100 million).

Overall, we are very pleased with the free cash flow performance, but given the slightly atypical reasons outlined above, we consider £670 million to be a better estimate of the underlying free cash flow for 2010.

Acquisition Payments

The spend on acquisitions in the year totalled £205 million. This includes £166 million of infill acquisitions (including £41 million on Caterine Restauration in France, £37 million on Southeast Service Corporation in the USA, £30 million on the VSG Group in the UK and £24 million on Hurley Corporation in North America), £5 million on the buyout of minority interests, £5 million acquisition transaction costs, £12 million adjustments to provisional amounts in respect of prior year acquisitions and £17 million deferred consideration and other payment relating to previous acquisitions.

Since the year end there has been a small amount of expenditure on the acquisitions of Reilimpa in Portugal (£4 million) and Sabora in Spain (£3 million).

Disposals

Payments made in respect of businesses disposed or discontinued in prior years totalled £9 million (2009: £31 million).

Proceeds from Issue of Share Capital

The Group received cash of £97 million in the year (2009: £28 million) from the issue of shares following the exercise of employee share options.

Return on Capital Employed

Return on capital employed was 20.3% (2009: 19.1%) based on continuing operations, excluding the Group's minority partners' share of total operating profit, net of tax at 26.9% and using an average capital employed for the year of £3,590 million (2009: £3,350 million) calculated from the IFRS balance sheet.

Pensions

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

The Group's total pension fund deficit at 30 September 2010 was £389 million (2009: £335 million). The total pensions charge for defined contribution schemes in the year was £54 million (2009: £44 million) and £37 million (2009: £34 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £15 million charge to net finance cost (2009: £11 million).

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 Company and its shareholders.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out in the section headed 'Managing Risk' on page 14.

Shareholder Return

The market price of the Group's ordinary shares at the close of the financial year was 530.5 pence per share (2009: 382.3 pence per share).

Related Party Transactions

Details of transactions with related parties are set out in Note 32. These transactions have not, 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 £10,007 million as at 30 September 2010 was 6% (2009: 13%).

During the year net debt reduced to £621 million (2009: £943 million) including an increase in net debt from foreign exchange translation movements of £11 million and cash received of £97 million from the issue of share capital in the period in connection with the exercise of employee share options.

At 30 September 2010, the Group had cash reserves of £643 million. In addition, the Group had an undrawn bank facility of approximately £700 million, of which approximately £650 million is committed through to 2012. Taking account of cash required for day to day operations, the Group estimates it currently has headroom of around £1 billion.

Looking forward, £84 million of bank and Private Placements debt is due to be repaid during the 2011 financial year and it is currently envisaged that these will be repaid from surplus cash. With strong ongoing free cash flow generation, the Group believes that it is in a solid financial position.

The EBIT to net interest ratio has increased from 5.6 times in 2006 to 12.3 times in 2010 and the EBITDA to net interest has increased from 8.2 times to 15.2 times in the same period. This is adjusted where necessary for covenant definitions and includes share of profits of associates and discontinued operations, but excludes the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness and the change in fair value of minority interest put options. The Group remains committed to maintaining strong investment grade credit ratings.

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 19 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Andrew D Martin
Group Finance Director

Managing Risk

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders. The Group has policies and procedures in place to ensure that risks are properly 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 exploit the opportunities; and the continual monitoring of progress against agreed KPIs is an integral part of the business process, and a core activity throughout the Group.

Control is exercised at Group and business level through the Group's Management and Performance framework, monthly monitoring of performance by comparison with budgets and forecasts and through regular Business Reviews with the Group Chief Executive and the Group Finance Director.

This is underpinned by a formal major risk assessment process which is an integral part of the annual business cycle. As part of the process, each of the Group's businesses is required to identify and document major risks and appropriate mitigating activities and controls; and monitor and report to management on the effectiveness of these controls on a biannual basis. 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. The results are reviewed by the Executive Committee and the Board.

The Group also has formal procedures in place, with clearly designated levels of authority, for approving acquisitions and other capital investments. This is supported by a post investment review process for selected acquisitions and major items of capital expenditure.

The table below sets out the principal risks and uncertainties facing the business at the date of this Report and the systems and processes the Group has in place to manage and mitigate these risks.

Risk		Mitigation
Health, safety and environment	Food safety	Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene and safety is paramount. The Group has appropriate policies, processes and training procedures to ensure full compliance with legal obligations.
	Health and safety	Health and safety remains our number one operational priority. All management meetings throughout the Group feature a Health and Safety update as one of their first agenda items.
	Environment	Everyday, 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. Our Corporate Responsibility statement in the Annual Report describes our approach in more detail.
Clients and consumers	Client retention	We aim to build long-term relationships with our clients based on quality and value. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.
	Consolidation of food and support services	We have developed a range of support services to complement our existing foodservice offer. These services are underpinned by the Compass Service Framework, our standard operating platform for support services, which gives us the capability to deliver to the same consistent world-class standard globally.
	Bidding risk	The Group's operating companies bid selectively for large numbers of contracts each year and a more limited number of concession opportunities. Tenders are developed in accordance with a thorough process which identifies both the potential risks (including social and ethical risks) and rewards, and are subject to approval at an appropriate level of the organisation.
	Credit risk	There is limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's client base.
	Service delivery and compliance with contract terms and conditions	The Group's operating companies contract with a large number of clients. Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the appropriate contract terms and conditions.

Risk		Mitigation
	Changes in consumer preferences	We strive to meet consumer demand for quality, choice and value by developing innovative and nutritious food offers which suit the lifestyle and tastes of our consumers.
People	People retention and motivation	The recruitment and retention of skilled employees is a challenge faced by the industry at large. The Group has established training and development programmes, succession planning and performance management programmes which are designed to align rewards with our corporate objectives and to retain and motivate our best people.
Supply Chain	Suppliers	The Group constantly strives to find the right balance between building long-term supply relationships based on the compatibility of values and behaviour with the requirements of the Group as well as quality and price. The Group seeks to avoid over-reliance on any one supplier.
	Traceability	To reduce risk we are focusing on traceability, clear specification of our requirements to nominated suppliers and the improvement of purchasing compliance by unit managers.
Economic risk	Economy	Around 50% of our business, the Healthcare, Education and Defence, Offshore and Remote Site sectors, are less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to the economy and employment levels. However, with the variable and flexible nature of our cost base, it is generally possible to contain the impact of like for like volume declines.
	Food cost inflation	As part of our MAP programme we seek to manage food price inflation through: cost indexation in our contracts, giving us the contractual right to review pricing with our clients; menu management to substitute ingredients in response to any forecast shortages and cost increases; and continuing to drive greater purchasing efficiencies through supplier rationalisation and compliance.
	Labour cost inflation	Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP programme we have been deploying tools and processes to optimise labour productivity and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.
Regulatory, political and competitive environment	Political stability	Compass is a global company operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability. However, we remain aware of these risks and look to mitigate them wherever possible. We have also taken the strategic decision to withdraw from a number of countries (and had completed most of these withdrawals by the date of this report) where we consider the risks outweigh the rewards.
	Regulation	Changes to laws or regulations could adversely affect our performance. We engage with governmental and non-governmental organisations directly or through trade associations to ensure that our views are represented.
	Competition	Compass operates in a competitive market place. The level of concentration and outsource penetration varies by country. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by building long term relationships with our clients based on quality and value.
Acquisitions and investments	Acquisition risk	Potential acquisitions are identified by the operating companies and subject to appropriate levels of due diligence and approval by Group management. Post acquisition integration and performance is closely managed and subject to regular review.
	Investment risk	Capital investments are subject to appropriate levels of scrutiny and approval by Group management.
	Joint ventures	In some countries we operate through joint ventures. Procedures are in place to ensure that joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.

Risk	Mitigation
Information technology and infrastructure	The Group relies on a variety of IT systems in order to manage and deliver services and communicate with its customers, suppliers and employees. There is minimal inter-country dependence on IT systems, and all of the Group's major operating companies have appropriate disaster recovery plans in place.
Fraud and compliance	The Group's zero tolerance based Code of Ethics governs all aspects of our relationship with our stakeholders. All alleged breaches of the Code are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.
Litigation	Though we do not operate in a litigious industry, we have in place policies and processes in all of our main operating companies to report, manage and mitigate against third-party litigation.
Reputation risk	Our brands are amongst the most successful and best established in our industry. They represent a key element of the Group's overall marketing and positioning. In the event that our brand or reputation is damaged this could adversely impact the Group's performance. The Group's zero tolerance based Code of Ethics is designed to safeguard the Company's assets, brands and reputation.
Financial risk	<p>Overview</p> <p>Compass Group's financial risk management strategy is based upon sound economic objectives and good corporate practice. The main financial risks concern the availability of funds to meet our obligations (liquidity risk), movements in exchange rates (foreign currency risk), movements in interest rates (interest rate risk), and counterparty credit risk. Derivative and other financial instruments are used to manage interest rate and foreign currency risks. Further details of our financial risks and the ways in which we mitigate them are set out below.</p>
	<p>Liquidity Risk</p> <p>The Group finances its borrowings from a number of sources including banks, the public markets and the private placement markets. The maturity profile of the Group's principal borrowings at 30 September 2010 shows the average period to maturity is 2.7 years. The Group's undrawn committed bank facilities at 30 September 2010 were £696 million (2009: £756 million).</p>
	<p>Financial Instruments</p> <p>The Group continues to manage its foreign currency and interest rate 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, currency swaps and forward currency contracts, 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.</p>
	<p>Foreign Currency Risk</p> <p>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. To implement this policy, forward currency contracts or currency swaps are taken out which, when applied to the actual currency liabilities, convert these to the required currency. A reconciliation of the 30 September 2010 actual currency liabilities to the effective currency borrowed is set out in note 18 of the consolidated financial statements. The borrowings in each currency give rise to foreign exchange differences on translation into Sterling. Where the borrowings are either 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 statement of recognised income and expense rather than in the income statement. Non-Sterling earnings streams are translated at the average rate of exchange for the year. This results in differences in the Sterling value of currency earnings from year to year. The table in note 34 of the consolidated financial statements sets out the exchange rates used to translate the income statements, balance sheets and cash flows of non-Sterling denominated entities.</p>
	<p>Interest Rate Risk</p> <p>As detailed 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 at least 80% of its projected net debt is fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.</p>

Risk	Mitigation
Pensions risk	The Group's defined benefit pension schemes are closed to new entrants other than for transfers under public sector contracts in the UK where the Company is obliged to provide final salary benefits to transferring employees. Steps have been taken to reduce the investment risk in these schemes. Further information is set out in note 22 of the consolidated financial statements.
Tax risk	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we aim to act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable in estimating our tax liabilities. We exercise our judgement, and seek appropriate professional advice, in assessing the amounts of tax to be paid and the level of provision required. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate.

Consolidated Financial Statements

Directors' responsibilities

The financial information set out below does not constitute the company's statutory accounts for the years ended 30 September 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The Auditors have reported on those accounts; their Reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their Report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Annual Report and Accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS');
- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board



Mark J White
General Counsel and Company Secretary
24 November 2010

The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS'). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006. The directors, having prepared the financial statements, have permitted the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion.

The Directors are also responsible for the maintenance and integrity of the Compass Group PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 30 September 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue	1	14,468	13,444
Operating costs	2	(13,485)	(12,574)
Operating profit		983	870
Share of profit of associates	1, 12	6	7
Total operating profit	1	989	877
Finance income	4	5	14
Finance costs	4	(86)	(114)
Hedge accounting ineffectiveness	4	4	(7)
Change in the fair value of investments and minority interest put options	4	1	3
Profit before tax		913	773
Income tax expense	5	(246)	(221)
Profit for the year from continuing operations	1	667	552
Discontinued operations			
Profit for the year from discontinued operations	6	13	40
Continuing and discontinued operations			
Profit for the year		680	592
Attributable to			
Equity shareholders of the Company		675	586
Minority interests		5	6
Profit for the year		680	592
Basic earnings per share (pence)			
From continuing operations	7	35.3p	29.5p
From discontinued operations	7	0.7p	2.2p
From continuing and discontinued operations	7	36.0p	31.7p
Diluted earnings per share (pence)			
From continuing operations	7	35.1p	29.4p
From discontinued operations	7	0.7p	2.2p
From continuing and discontinued operations	7	35.8p	31.6p

Analysis of operating profit

for the year ended 30 September 2010

		2010 £m	2009 £m
Continuing operations			
Underlying operating profit before share of profits of associates		997	877
Share of profit of associates		6	7
Underlying operating profit before costs relating to acquisitions and disposals		1,003	884
Amortisation of intangibles arising on acquisition		(7)	(7)
Acquisition transaction costs		(5)	-
Share based payments expense - minority interest call option		(2)	-
Total operating profit		989	877

Consolidated statement of comprehensive income

for the year ended 30 September 2010

	Notes	Movements in equity				Total 2010 £m	Total 2009 £m
		Retained earnings £m	Revaluation reserve £m	Translation reserve £m	Minority interest £m		
Profit for the year		675	-	-	5	680	592
Other comprehensive income							
Currency translation differences		-	-	34	-	34	89
Actuarial gains/(losses) on post-retirement employee benefits	22	(57)	-	-	-	(57)	(206)
Tax on items relating to the components of other comprehensive income	5	18	-	(6)	-	12	70
Other		-	-	-	-	-	(1)
Total other comprehensive income/(loss) for the period		(39)	-	28	-	(11)	(48)
Total comprehensive income for the period		636	-	28	5	669	544
Attributable to							
Equity shareholders of the Company		636	-	28	-	664	534
Minority interests		-	-	-	5	5	10
		636	-	28	5	669	544

Consolidated statement of changes in equity

for the year ended 30 September 2010

	Attributable to equity shareholders of the Company							Minority interests £m	Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m			
Reconciliation of movements in equity									
At 1 October 2009	185	215	44	(2)	4,489	(2,395)	9	2,545	
Profit for the period	-	-	-	-	-	675	5	680	
Other comprehensive income	-	-	-	-	28	(39)	-	(11)	
Total comprehensive income for the year	-	-	-	-	28	636	5	669	
Issue of shares (for cash)	4	93	-	-	-	-	-	97	
Fair value of share-based payments	-	-	-	-	9	-	-	9	
Tax on items taken directly to equity (note 5)	-	-	-	-	-	17	-	17	
Share based payments expense - minority interest call option	-	-	-	-	-	2	-	2	
Settled in new shares (issued by the Company)	-	9	-	-	(9)	-	-	-	
Settled in cash or existing shares (purchased in market)	-	-	-	-	(1)	-	-	(1)	
Transfer on exercise of put options	-	-	-	-	5	2	-	7	
Buy-out of minority interests	-	-	-	-	-	(6)	(5)	(11)	
	189	317	44	(2)	4,521	(1,744)	9	3,334	
Dividends paid to Compass shareholders (note 8)	-	-	-	-	-	(258)	-	(258)	
Dividends paid to minority interests	-	-	-	-	-	-	(4)	(4)	
(Increase)/decrease in own shares held for staff compensation schemes ⁽¹⁾	-	-	-	1	-	-	-	1	
At 30 September 2010	189	317	44	(1)	4,521	(2,002)	5	3,073	

(1) These shares are held in trust and are used to satisfy some of the Group's liabilities to employees for share options, share bonus and long-term incentive plans.

	Share-based				Equity adjustment for put options £m	Total other reserves £m
	payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m		
Other reserves						
At 1 October 2009	146	4,170	7	172	(6)	4,489
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	28	-	28
Total comprehensive income for the year	-	-	-	28	-	28
Fair value of share-based payments	9	-	-	-	-	9
Settled in new shares (issued by the Company)	(9)	-	-	-	-	(9)
Settled in cash or existing shares (purchased in market)	(1)	-	-	-	-	(1)
Transfer on exercise of put options	-	-	-	-	5	5
Equity adjustment for grant of put option	-	-	-	-	-	-
At 30 September 2010	145	4,170	7	200	(1)	4,521

Own shares held by the Group represent 361,864 shares in Compass Group PLC (2009: 691,822 shares). 344,655 shares are held by the Compass Group Employee Share Trust ('ESOP') and 17,209 shares by the Compass Group Long Term Incentive Plan Trust ('LTIPT'). These shares are listed on a recognised stock exchange and their market value at 30 September 2010 was £1.9 million (2009: £2.6 million). The nominal value held at 30 September 2010 was £36,186 (2009: £69,182).

ESOP and LTIPT are discretionary trusts for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for share options, share bonus and long-term incentive plans. All of the shares held by the ESOP and LTIPT are required to be made available in this way.

The merger reserve arose in 2000 following the demerger from Granada Compass plc. The equity adjustment for put options arose in 2005 on the accounting for the options held by the Group's minority partners requiring the Group to purchase those minority interests.

	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	Minority interests £m	
	At 1 October 2008	184	178	44	(4)	4,401	(2,616)	
Profit for the period	-	-	-	-	93	586	6	685
Other comprehensive income	-	-	-	-	-	(145)	4	(141)
Total comprehensive income for the year	-	-	-	-	93	441	10	544
Issue of shares (for cash)	1	27	-	-	-	-	-	28
Fair value of share-based payments	-	-	-	-	4	-	-	4
Settled in new shares (issued by the Company)	-	10	-	-	(10)	-	-	-
Settled in cash or existing shares (purchased in market)	-	-	-	-	(1)	-	-	(1)
Share buy-back	-	-	-	-	-	(13)	-	(13)
Transfer on exercise of put options	-	-	-	-	3	20	-	23
Equity adjustment for grant of put option	-	-	-	-	(1)	-	-	(1)
Buy-out of minority interests	-	-	-	-	-	-	(17)	(17)
Other changes	-	-	-	-	-	2	-	2
	185	215	44	(4)	4,489	(2,166)	12	2,775
Dividends paid to Compass shareholders (note 8)	-	-	-	-	-	(229)	-	(229)
Dividends paid to minority interests	-	-	-	-	-	-	(3)	(3)
(Increase)/decrease in own shares held for staff compensation schemes ⁽¹⁾	-	-	-	2	-	-	-	2
At 30 September 2010	185	215	44	(2)	4,489	(2,395)	9	2,545

(1) These shares are held in trust and are used to satisfy some of the Group's liabilities to employees for share options, share bonus and long-term incentive plans.

Other reserves	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Equity adjustment for put options £m	Total other reserves £m	
	At 1 October 2008	153	4,170	8	78	(8)	4,401
	Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	(1)	94	-	93	
Total comprehensive income for the year	-	-	(1)	94	-	93	
Fair value of share-based payments	4	-	-	-	-	4	
Settled in new shares (issued by the Company)	(10)	-	-	-	-	(10)	
Settled in cash or existing shares (purchased in market)	(1)	-	-	-	-	(1)	
Transfer on exercise of put options	-	-	-	-	3	3	
Equity adjustment for grant of put option	-	-	-	-	(1)	(1)	
At 30 September 2009	146	4,170	7	172	(6)	4,489	

Consolidated balance sheet

as at 30 September 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill	9	3,833	3,580
Other intangible assets	10	570	493
Property, plant and equipment	11	581	530
Interests in associates	12	32	32
Other investments	13	37	32
Trade and other receivables	15	72	64
Deferred tax assets*	5	296	300
Derivative financial instruments**	19	81	60
Non-current assets		5,502	5,091
Current assets			
Inventories	16	238	230
Trade and other receivables	15	1,830	1,680
Tax recoverable*		31	25
Cash and cash equivalents**	17	643	588
Derivative financial instruments**	19	10	27
Current assets		2,752	2,550
Total assets		8,254	7,641
Current liabilities			
Short-term borrowings**	18	(148)	(323)
Derivative financial instruments**	19	(5)	(15)
Provisions	21	(130)	(123)
Current tax liabilities*		(273)	(260)
Trade and other payables	20	(2,683)	(2,378)
Current liabilities		(3,239)	(3,099)
Non-current liabilities			
Long-term borrowings**	18	(1,200)	(1,277)
Derivative financial instruments**	19	(2)	(3)
Post-employment benefit obligations	22	(389)	(335)
Provisions	21	(302)	(342)
Deferred tax liabilities*	5	(15)	(11)
Trade and other payables	20	(34)	(29)
Non-current liabilities		(1,942)	(1,997)
Total liabilities		(5,181)	(5,096)
Net assets		3,073	2,545
Equity			
Share capital	23	189	185
Share premium account		317	215
Capital redemption reserve		44	44
Less: Own shares		(1)	(2)
Other reserves		4,521	4,489
Retained earnings		(2,002)	(2,395)
Total equity shareholders' funds		3,068	2,536
Minority interests		5	9
Total equity		3,073	2,545

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

Approved by the Board of Directors on 24 November 2010 and signed on their behalf by

Richard J Cousins, Director
Andrew D Martin, Director

Consolidated cash flow statement

for the year ended 30 September 2010

	Notes	2010 £m	2009 £m
Cash flow from operating activities			
Cash generated from operations	26	1,330	1,114
Interest paid		(75)	(111)
Interest element of finance lease rentals		(2)	(3)
Tax received		24	22
Tax paid		(227)	(188)
Net cash from/(used in) operating activities of continuing operations		1,050	834
Net cash from/(used in) operating activities of discontinued operations	27	3	(1)
Net cash from/(used in) operating activities		1,053	833
Cash flow from investing activities			
Purchase of subsidiary companies and investments in associated undertakings ⁽¹⁾	25	(205)	(165)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities ⁽¹⁾	6	(9)	(34)
Tax on profits from sale of subsidiary companies and associated undertakings		-	3
Purchase of intangible assets	10	(122)	(117)
Purchase of property, plant and equipment	11	(207)	(166)
Proceeds from sale of property, plant and equipment/intangible assets		19	24
Purchase of other investments	13	(3)	(3)
Proceeds from sale of other investments		-	5
Dividends received from associated undertakings	12	6	4
Interest received		5	14
Net cash from/(used in) investing activities by continuing operations		(516)	(435)
Net cash from/(used in) investing activities by discontinued operations	27	-	-
Net cash from/(used in) investing activities		(516)	(435)
Cash flow from financing activities			
Proceeds from issue of ordinary share capital		97	28
Purchase of own shares ⁽²⁾		-	(12)
Net increase/(decrease) in borrowings	28	(306)	(178)
Repayment of obligations under finance leases	28	(15)	(15)
Equity dividends paid	8	(258)	(229)
Dividends paid to minority interests		(4)	(3)
Net cash from/(used in) financing activities by continuing operations		(486)	(409)
Net cash from/(used in) financing activities by discontinued operations	27	-	-
Net cash from/(used in) financing activities		(486)	(409)
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents	28	51	(11)
Cash and cash equivalents at beginning of the year	28	588	579
Currency translation gains/(losses) on cash and cash equivalents	28	4	20
Cash and cash equivalents at end of the year	28	643	588

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

(2) Share buy-back and increase/(decrease) in own shares held to satisfy employee share-based payments.

Reconciliation of free cash flow from continuing operations

for the year ended 30 September 2010

	2010 £m	2009 £m
Net cash from operating activities of continuing operations	1,050	834
Purchase of intangible assets	(122)	(117)
Purchase of property, plant and equipment	(207)	(166)
Proceeds from sale of property, plant and equipment/intangible assets	19	24
Purchase of other investments	(3)	(3)
Proceeds from sale of other investments	-	5
Dividends received from associated undertakings	6	4
Interest received	5	14
Dividends paid to minority interests	(4)	(3)
Other	-	1
Free cash flow from continuing operations	744	593

Notes to the consolidated financial statements

for the year ended 30 September 2010

1 Segmental reporting

Revenues	Geographical segments					Total £m
	North America	Continental Europe	UK & Ireland	Rest of the World	Intra-Group	
	£m	£m	£m	£m	£m	
Year ended 30 September 2010						
External revenue	6,369	3,506	1,782	2,811	-	14,468
Less: Discontinued operations	-	-	-	-	-	-
External revenue - continuing	6,369	3,506	1,782	2,811	-	14,468
Year ended 30 September 2009						
External revenue	5,806	3,429	1,829	2,383	-	13,447
Less: Discontinued operations	-	-	-	(3)	-	(3)
External revenue - continuing	5,806	3,429	1,829	2,380	-	13,444

Revenues	Products and services: Sectors					Total £m
	Business & Industry	Education	Healthcare & Seniors	Sports & Leisure	Defence, Offshore & Remote	
	£m	£m	£m	£m	£m	
Year ended 30 September 2010						
External revenue	5,949	2,308	2,739	1,639	1,833	14,468
Less: Discontinued operations	-	-	-	-	-	-
External revenue - continuing	5,949	2,308	2,739	1,639	1,833	14,468
Year ended 30 September 2009						
External revenue	5,837	2,043	2,510	1,473	1,584	13,447
Less: Discontinued operations	-	-	-	-	(3)	(3)
External revenue - continuing	5,837	2,043	2,510	1,473	1,581	13,444

(1) There is no inter-segmental trading.

(2) Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £1,709 million (2009:£1,749 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £12,759 million (2009:£11,695 million).

(3) Mexico was transferred from North America to the Rest of the World during the year. The comparatives have been restated accordingly.

(4) The correctional business was transferred from the Business & Industry sector to the Defence, Offshore & Remote sector during the year. The comparatives have been restated accordingly.

Result	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	
Year ended 30 September 2010						
Total operating profit before associates and costs relating to acquisitions	491	248	114	204	(60)	997
Less: Discontinued operations	-	-	-	-	-	-
Operating profit before associates and costs relating to acquisitions	491	248	114	204	(60)	997
Less: Amortisation of intangibles arising on acquisition	(1)	-	(1)	(4)	(1)	(7)
Less: Acquisition transaction costs	(1)	(2)	(1)	-	(1)	(5)
Less: Share based payments expense - minority interest call option	-	-	-	(2)	-	(2)
Operating profit before associates - continuing	489	246	112	198	(62)	983
Add: Share of profit of associates	4	-	2	-	-	6
Total operating profit - continuing	493	246	114	198	(62)	989
Finance income						5
Finance costs						(86)
Hedge accounting ineffectiveness						4
Change in the fair value of investments and minority interest put options						1
Profit before tax						913
Income tax expense						(246)
Profit for the year from continuing operations						667
Year ended 30 September 2009						
Total operating profit before associates and costs relating to acquisitions	438	232	114	150	(58)	876
Less: Discontinued operations	-	-	-	1	-	1
Operating profit before associates and costs relating to acquisitions	438	232	114	151	(58)	877
Less: Amortisation of intangibles arising on acquisition	-	-	(1)	(5)	(1)	(7)
Operating profit before associates - continuing	438	232	113	146	(59)	870
Add: Share of profit of associates	3	-	4	-	-	7
Total operating profit - continuing	441	232	117	146	(59)	877
Finance income						14
Finance costs						(114)
Hedge accounting ineffectiveness						(7)
Change in the fair value of investments and minority interest put options						3
Profit before tax						773
Income tax expense						(221)
Profit for the year from continuing operations						552

2 Operating costs

Operating costs	2010	2009
	£m	£m
<i>Cost of food and materials:</i>		
Cost of inventories consumed	4,654	4,415
<i>Labour costs:</i>		
Employee remuneration (note 3)	6,444	5,968
<i>Overheads:</i>		
Depreciation - owned property, plant and equipment	138	125
Depreciation - leased property, plant and equipment	10	11
Amortisation - owned intangible assets	90	89
Property lease rentals	74	61
Other occupancy rentals - minimum guaranteed rent	57	56
Other occupancy rentals - rent in excess of minimum guaranteed rent	16	12
Other asset rentals	81	77
Audit and non-audit services	5	5
Other expenses	1,902	1,748
Operating costs before costs relating to acquisitions	13,471	12,567
Amortisation - intangible assets arising on acquisition	7	7
Acquisition transaction costs	5	-
Share based payments expense - minority interest call option	2	-
Total continuing operations	13,485	12,574

(1) Impairment of goodwill and inventories and net foreign exchange gains/losses recorded in income statement £nil (2009: £nil).

3 Employees

	2010	2009
Average number of employees, including Directors and part-time employees	Number	Number (restated)
North America	174,734	164,491
Continental Europe	86,633	84,537
UK & Ireland	59,380	62,809
Rest of the World	107,455	97,205
Total continuing operations	428,202	409,042
Discontinued operations	-	2
Total continuing and discontinued operations	428,202	409,044

	2010	2009
Aggregate remuneration of all employees including Directors	£m	£m (restated)
Wages and salaries	5,345	4,972
Social security costs	1,014	925
Share-based payments	9	4
Pension costs - defined contribution plans	54	44
Pension costs - defined benefit plans	22	23
Total continuing operations	6,444	5,968
Discontinued operations	-	-
Total continuing and discontinued operations	6,444	5,968

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge within finance costs of £15 million (2009: net charge of £11 million).

4 Financing income, costs and other related gains/losses

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

	2010 £m	2009 £m
Finance income and costs		
Finance income		
Bank interest	5	14
Total finance income	5	14
Finance costs		
Interest on bank loans and overdrafts	4	8
Interest on other loans	64	90
Finance lease interest	2	3
Interest on bank loans, overdrafts, other loans and finance leases	70	101
Unwinding of discount on put options held by minority shareholders	-	1
Unwinding of discount on provisions	1	1
Amount charged to pension scheme liabilities net of expected return on scheme assets (note 22)	15	11
Total finance costs	86	114
Analysis of finance costs by defined IAS 39⁽¹⁾ category		
Fair value through profit or loss (unhedged derivatives)	10	13
Derivatives in a fair value hedge relationship	(36)	(22)
Derivatives in a net investment hedge relationship	4	-
Other financial liabilities	92	110
Interest on bank loans, overdrafts, other loans and finance leases	70	101
Fair value through profit or loss (put options held by minority interests)	1	2
Outside of the scope of IAS 39 (net pension scheme charge)	15	11
Total finance costs	86	114

(1) IAS 39 'Financial Instruments: Recognition and Measurement'.

The Group uses derivative financial instruments such as foreign currency contracts 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 re-measured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

The Group has a small number of outstanding put options which enable certain minority shareholders to require the Group to purchase the minority interest shareholding at an agreed multiple of earnings. These options are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value which is re-evaluated at each period end. Fair value is based on the present value of expected cash outflows. The movement in fair value is included in the profit for the year.

	2010 £m	2009 £m
Financing related (gains)/losses		
Hedge accounting ineffectiveness		
Unrealised net (gains)/losses on unhedged derivative financial instruments ⁽¹⁾	(2)	6
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge ⁽²⁾	(10)	(59)
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	8	60
Total hedge accounting ineffectiveness (gains)/losses	(4)	7
Change in the fair value of investments and minority interest put options		
Change in the fair value of investments ^{(1), (3)}	(1)	-
Change in the fair value of minority interest put options (credit)/charge ⁽¹⁾	-	(3)
Total	(1)	(3)

(1) Categorized as 'fair value through profit or loss' (IAS 39).

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

(3) Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 22.

5 Tax

Recognised in the income statement:

Income tax expense on continuing operations

Current tax

	2010 £m	2009 £m
Current year	229	202
Adjustment in respect of prior years	(14)	(9)
Current tax expense/(credit)	<u>215</u>	<u>193</u>

Deferred tax

Current year	37	24
Impact of changes in statutory tax rates	3	-
Adjustment in respect of prior years	(9)	4
Deferred tax expense/(credit)	<u>31</u>	<u>28</u>

Total income tax

Income tax expense/(credit) on continuing operations	<u>246</u>	<u>221</u>
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The income tax expense for the year is based on the United Kingdom statutory rate of corporation tax for the period of 28% (2009: 28%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of the changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 28% to 27% from 1 April 2011. This change has 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.

Reconciliation of the income tax expense on continuing operations

	2010 £m	2009 £m
Profit before tax from continuing operations	<u>913</u>	<u>773</u>
Notional income tax expense at the UK statutory rate of 28% (2009: 28%) on profit before tax	256	216
Effect of different tax rates of subsidiaries operating in other jurisdictions	50	39
Impact of changes in statutory tax rates	3	-
Permanent differences	(17)	(4)
Impact of share-based payments	-	(1)
Tax on profit of associates	(1)	(1)
Losses and other temporary differences not previously recognised	(24)	(29)
Unrelieved current year tax losses	2	6
Prior year items	(23)	(5)
Income tax expense on continuing operations	<u>246</u>	<u>221</u>

Tax credited/(charged) to other comprehensive income

	2010 £m	2009 £m
Deferred tax credit on actuarial movements on post-employment benefits	18	61
Current and deferred tax (charges)/credits on foreign exchange movements	(6)	9
Tax credit/(charge) on items recognised in other comprehensive income	<u>12</u>	<u>70</u>

	2010 £m	2009 £m
Tax credited to equity		
Current and deferred tax credits in respect of share-based payments	17	-
Tax credit/(charge) on items recognised in equity	17	-

Movement in net deferred tax asset/(liability)	Tax depreciation £m	Intangibles £m	Pensions and post-employment benefits £m	Tax losses £m	Self-funded insurance provisions £m	Net short-term temporary differences £m	Total £m
At 1 October 2008	43	(64)	74	7	42	130	232
(Charge)/credit to income	(7)	(21)	(19)	(5)	5	11	(36)
(Charge)/credit to equity/other comprehensive income	-	(8)	61	4	-	3	60
Transfer from/(to) current tax	-	-	-	-	-	3	3
Business acquisitions	-	16	-	-	-	-	16
Business disposals	-	-	-	-	-	(1)	(1)
Other movements	1	(5)	2	(1)	(1)	4	-
Exchange adjustment	(2)	(9)	7	-	5	14	15
At 30 September 2009	35	(91)	125	5	51	164	289
At 1 October 2009	35	(91)	125	5	51	164	289
(Charge)/credit to income	(7)	(16)	5	8	3	(24)	(31)
(Charge)/credit to equity/other comprehensive income	-	(2)	18	(1)	-	7	22
Transfer from/(to) current tax	-	-	-	-	-	-	-
Business acquisitions	(1)	(5)	-	-	-	3	(3)
Business disposals	-	-	-	-	-	-	-
Other movements	1	(3)	1	-	-	1	-
Exchange adjustment	-	(2)	1	-	1	4	4
At 30 September 2010	28	(119)	150	12	55	155	281

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:

	2010 £m	2009 £m
Net deferred tax balance		
Deferred tax assets	296	300
Deferred tax liabilities	(15)	(11)
Net deferred tax asset/(liability)	281	289

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £94 million (2009: £67 million). Of the total, tax losses of £58 million will expire at various dates between 2011 and 2018. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

As a result of changes to tax legislation, overseas dividends received on or after 1 July 2009 are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £128 million (2009: £174 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

6 Discontinued operations

Year ended 30 September 2010

The profit for the year from discontinued operations of £13 million which arose on the release of surplus provisions relating to prior period disposals and a £1 million loss from discontinued operations.

Year ended 30 September 2009

The profit for the year from discontinued operations comprises the release of surplus provisions of £23 million and accruals of £20 million relating to prior period disposals, additional proceeds of £2 million and a loss after tax from trading activities of £1 million.

Financial performance of discontinued operations	2010 £m	2009 £m
External revenue	-	3
Operating costs	(1)	(4)
Loss before tax	(1)	(1)
Income tax (expense)/credit	-	-
Loss after tax	(1)	(1)
Disposal of net assets and other adjustments relating to discontinued operations		
Profit on disposal of net assets of discontinued operations	-	2
Release of surplus provisions and accruals related to discontinued operations ^{(2), (3)}	16	43
Profit before tax	16	45
Income tax (expense)/credit (see below)	(2)	(4)
Total profit after tax	14	41
Profit for the year from discontinued operations		
Profit/(loss) for the year from discontinued operations	13	40

(1) The trading activity in the years ended 30 September 2009 and 30 September 2010 relates to the final run-off of activity in businesses earmarked for closure.

(2) Released surplus provisions of £16 million in the year ended 30 September 2010.

(3) Released surplus provisions of £23 million and the release of surplus accruals of £20 million, total £43 million, in the year ended 30 September 2009.

Income tax from discontinued operations	2010 £m	2009 £m
Income tax on disposal of net assets and other adjustments relating to discontinued operations		
Current tax	-	4
Deferred tax	(2)	(8)
Income tax (expense)/credit on disposal of net assets of discontinued operations	(2)	(4)
Total income tax from discontinued operations		
Total income tax (expense)/credit from discontinued operations	(2)	(4)

Net assets disposed and disposal proceeds	2010 £m	2009 £m
Increase/(decrease) in retained liabilities ^{(1), (2)}	(23)	(79)
Profit/(loss) on disposal before tax	16	45
Consideration, net of costs	(7)	(34)
Consideration deferred to future periods	(2)	-
Cash disposed of	-	-
Cash inflow/(outflow) from current year disposals	(9)	(34)

(1) Including the release of surplus provisions of £16 million and the utilisation of accruals/provisions in respect of purchase price adjustments, warranty claims and other indemnities of £7 million in the year ended 30 September 2010. Total £23 million

(2) Including the release of surplus provisions of £23 million and surplus accruals of £20 million, and the utilisation of accruals/provisions in respect of purchase price adjustments, warranty claims and other indemnities of £36 million in the year ended 30 September 2009. Total £79 million

7 Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the year. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued operations, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, hedge accounting ineffectiveness, and the change in the fair value of investments and minority interest put options and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

	2010 Attributable profit £m	2009 Attributable profit £m
Attributable profit		
Profit for the year attributable to equity shareholders of the Company	675	586
Less: Profit for the year from discontinued operations	(13)	(40)
Attributable profit for the year from continuing operations	662	546
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	5	6
Add back: Acquisition transaction costs (net of tax)	4	-
Add back: Share based payments expense - minority interest call option (net of tax)	2	-
Add back: Loss/(profit) from hedge accounting ineffectiveness (net of tax)	(3)	5
Add back: Change in the fair value of investments and minority interest put options (net of tax)	(1)	(3)
Underlying attributable profit for the year from continuing operations	669	554

	2010 Ordinary shares of 10p each millions	2009 Ordinary shares of 10p each millions
Average number of shares (millions of ordinary shares of 10p each)		
Average number of shares for basic earnings per share	1,873	1,848
Dilutive share options	15	7
Average number of shares for diluted earnings per share	1,888	1,855

	2010 Earnings per share pence	2009 Earnings per share pence
Basic earnings per share (pence)		
From continuing and discontinued operations	36.0	31.7
From discontinued operations	(0.7)	(2.2)
From continuing operations	35.3	29.5
Amortisation of intangible assets arising on acquisition (net of tax)	0.3	0.3
Acquisition transaction costs (net of tax)	0.2	-
Share based payments expense - minority interest call option (net of tax)	0.1	-
Hedge accounting ineffectiveness (net of tax)	(0.2)	0.3
Change in the fair value of investments and minority interest put options (net of tax)	-	(0.1)
From underlying continuing operations	35.7	30.0

Diluted earnings per share (pence)		
From continuing and discontinued operations	35.8	31.6
From discontinued operations	(0.7)	(2.2)
From continuing operations	35.1	29.4
Amortisation of intangible assets arising on acquisition (net of tax)	0.3	0.3
Acquisition transaction costs (net of tax)	0.2	-
Share based payments expense - minority interest call option (net of tax)	0.1	-
Hedge accounting ineffectiveness (net of tax)	(0.2)	0.3
Change in the fair value of investments and minority interest put options (net of tax)	(0.1)	(0.1)
From underlying continuing operations	35.4	29.9

8 Dividends

A final dividend in respect of 2010 of 12.5 pence per share, £236 million in aggregate⁽¹⁾, has been proposed giving a total dividend in respect of 2010 of 17.5 pence per share (2009: 13.2 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 3 February 2011 and has not been included as a liability in these financial statements.

	2010		2009	
	Dividends per share pence	£m	Dividends per share pence	£m
Dividends on ordinary shares of 10p each				
<i>Amounts recognised as distributions to equity shareholders during the year:</i>				
Final dividend for the prior year	8.8p	164	8.0p	148
Interim dividend for the current year	5.0p	94	4.4p	81
Total dividends	13.8p	258	12.4p	229

(1) Based on the number of shares in issue at 30 September 2010 (1,886 million shares)

9 Goodwill

During the year the Group made a number of acquisitions. See note 25 for more details.

Goodwill		£m
Cost		
At 1 October 2008		3,397
Additions		104
Business disposals - other activities		(1)
Currency adjustment		187
At 30 September 2009		3,687
At 1 October 2009		3,687
Additions		217
Business disposals - other activities		-
Currency adjustment		36
At 30 September 2010		3,940
Impairment		
At 1 October 2008		107
Impairment charge recognised in the year		-
At 30 September 2009		107
At 1 October 2009		107
Impairment charge recognised in the year		-
At 30 September 2010		107
Net book value		
At 30 September 2009		3,580
At 30 September 2010		3,833

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ('CGUs') that are expected to benefit from that business combination. A summary of goodwill allocation by business segment is shown below.

Goodwill by business segment	2010	2009
	£m	£m
USA	1,191	1,124
Rest of North America	131	102
Total North America	1,322	1,226
Continental Europe	272	214
UK & Ireland	1,792	1,739
Rest of the World	447	401
Total	3,833	3,580

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. Cash flows beyond the five-year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long-term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

Growth and discount rates	2010		2009	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	2.5%	7.4%	2.5%	7.9%
Rest of North America	2.5%	7.4%	2.5%	8.4%
Continental Europe	2.5 - 6.0%	6.6 - 13.8%	2.5 - 7.3%	6.8 - 10.6%
UK & Ireland	3.0%	10.3%	2.5%	10.1%
Rest of the World	2.5 - 6.5%	6.0 - 14.0%	2.5 - 7.1%	7.7 - 23.3%

Given the current economic climate, a sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be possible by management. For the United Kingdom, to which goodwill of £1,787 million is allocated, an increase in the discount rate of 0.4% or a decrease in the long-term growth rate of 0.6% would eliminate the headroom of approximately of £100 million under each scenario. There are no other CGUs that are sensitive to possible changes in key assumptions.

10 Other intangible assets

Other intangible assets	Contract and other intangibles			Total £m
	Computer software £m	Arising on acquisition £m	Other £m	
Cost				
At 1 October 2008	160	65	428	653
Additions	15	-	102	117
Disposals	(5)	(1)	(38)	(44)
Business acquisitions	-	28	-	28
Reclassified	27	-	3	30
Currency adjustment	18	10	49	77
At 30 September 2009	215	102	544	861
At 1 October 2009	215	102	544	861
Additions	19	-	103	122
Disposals	(3)	-	(33)	(36)
Business acquisitions	1	21	4	26
Reclassified	7	-	26	33
Currency adjustment	1	4	6	11
At 30 September 2010	240	127	650	1,017
Amortisation				
At 1 October 2008	80	3	177	260
Charge for the year	21	7	68	96
Disposals	(3)	(1)	(32)	(36)
Business acquisitions	-	-	-	-
Reclassified	18	-	-	18
Currency adjustment	10	-	20	30
At 30 September 2009	126	9	233	368
At 1 October 2009	126	9	233	368
Charge for the year	25	7	65	97
Disposals	(2)	-	(31)	(33)
Business acquisitions	-	-	-	-
Reclassified	3	-	8	11
Currency adjustment	-	-	4	4
At 30 September 2010	152	16	279	447
Net book value				
At 30 September 2009	89	93	311	493
At 30 September 2010	88	111	371	570

Contract-related intangible assets, other than those arising on acquisition, result from payments made by the Group in respect of client contracts and generally arise where it is economically more efficient for a client to purchase assets used in the performance of the contract and the Group fund these purchases.

11 Property, plant and equipment

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 October 2008	235	614	433	1,282
Additions ⁽¹⁾	12	93	65	170
Disposals	(14)	(59)	(41)	(114)
Business acquisitions	4	6	1	11
Business disposals - other activities	(2)	(1)	-	(3)
Reclassified	5	14	(19)	-
Currency adjustment	34	76	47	157
At 30 September 2009	274	743	486	1,503
At 1 October 2009	274	743	486	1,503
Additions ⁽¹⁾	25	124	63	212
Disposals	(10)	(58)	(31)	(99)
Business acquisitions	6	13	2	21
Business disposals - other activities	-	-	-	-
Reclassified	(40)	47	(46)	(39)
Currency adjustment	6	2	2	10
At 30 September 2010	261	871	476	1,608
Depreciation				
At 1 October 2008	130	405	284	819
Charge for the year	19	67	50	136
Disposals	(11)	(52)	(32)	(95)
Business disposals - other activities	(1)	(1)	-	(2)
Reclassified	4	19	(10)	13
Currency adjustment	21	49	32	102
At 30 September 2009	162	487	324	973
At 1 October 2009	162	487	324	973
Charge for the year	13	84	51	148
Disposals	(9)	(48)	(26)	(83)
Business disposals - other activities	-	-	-	-
Reclassified	(27)	37	(27)	(17)
Currency adjustment	4	1	1	6
At 30 September 2010	143	561	323	1,027
Net book value				
At 30 September 2009	112	256	162	530
At 30 September 2010	118	310	153	581

(1) Includes leased assets of £3 million (2009: £4 million).

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

Property, plant and equipment held under finance leases	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 30 September 2009	5	26	4	35
At 30 September 2010	9	20	2	31

12 Interests in associates

Principal associates	Country of incorporation	2010 % ownership	2009 % ownership
Twickenham Experience Ltd	England & Wales	40%	40%
Oval Events Limited	England & Wales	25%	25%
Thompson Hospitality Services LLC	USA	49%	49%

Interests in associates	2010 £m	2009 £m
Net book value		
At 1 October	32	28
Additions	-	-
Share of profits less losses (net of tax)	6	7
Dividends received	(6)	(4)
Currency and other adjustments	-	1
At 30 September	32	32

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

Associates	2010 £m	2009 £m
Share of revenue and profits		
Revenue	28	27
Expenses / taxation ⁽¹⁾	(22)	(20)
Profit after tax for the year	6	7
Share of net assets		
Goodwill	23	25
Other	9	7
Net assets	32	32
Share of contingent liabilities		
Contingent liabilities	-	-

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

13 Other investments

Other investments	2010 £m	2009 £m
Net book value		
At 1 October	32	17
Additions	3	3
Disposals	-	(3)
Business acquisitions	1	-
Reclassified from trade and other receivables	-	17
Currency and other adjustments	1	(2)
At 30 September	37	32
Comprised of		
Investment in Au Bon Pain ^{(1), (3)}	7	7
Other investments ^{(1), (3)}	9	6
Life insurance policies ^{(1), (2), (3)}	21	19
Total	37	32

(1) Categorized as 'available for sale' financial assets (IAS 39).

(2) Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 22.

(3) As per the fair value hierarchies explained in Note 19 in the Annual Report, the investment in Au Bon Pain is level 3, other investments are level 1 and the life insurance policies are level 2.

14 Joint ventures

Principal joint ventures	Country of incorporation	2010	2009
		% ownership	% ownership
Quadrant Catering Ltd	England & Wales	49%	49%
Sofra Yemek Üretim Ve Hizmet AS	Turkey	50%	50%
ADNH-Compass Middle East LLC	United Arab Emirates	50%	50%
Express Support Services Limitada	Angola	50%	50%

None of these investments is held directly by the ultimate parent company. All joint ventures provide foodservice and/or support services in their respective countries of incorporation and make their accounts up to 30 September.

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

Joint ventures	2010 £m	2009 £m
Share of revenue and profits		
Revenue	291	264
Expenses	(264)	(241)
Profit after tax for the year	27	23
Share of net assets		
Non-current assets	18	14
Current assets	103	90
Non-current liabilities	(15)	(10)
Current liabilities	(72)	(64)
Net assets	34	30
Share of contingent liabilities		
Contingent liabilities	22	18

15 Trade and other receivables

Trade and other receivables	2010			2009		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Net book value						
At 1 October	1,680	64	1,744	1,577	66	1,643
Net movement	141	6	147	(82)	(12)	(94)
Currency adjustment	9	2	11	185	10	195
At 30 September	1,830	72	1,902	1,680	64	1,744
Comprised of						
Trade receivables	1,643	5	1,648	1,515	4	1,519
Less: Provision for impairment of trade receivables	(78)	(1)	(79)	(66)	-	(66)
Net trade receivables ⁽¹⁾	1,565	4	1,569	1,449	4	1,453
Other receivables	70	41	111	50	41	91
Less: Provision for impairment of other receivables	(8)	-	(8)	(8)	-	(8)
Net other receivables	62	41	103	42	41	83
Accrued income	109	-	109	90	-	90
Prepayments	90	27	117	93	17	110
Amounts owed by associates ⁽¹⁾	4	-	4	6	2	8
Trade and other receivables	1,830	72	1,902	1,680	64	1,744

(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 satisfactorily completed. 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 debtor and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's client base. Accordingly the directors believe that there is no further credit provision required in excess of the provision for the impairment of receivables. The book value of trade and other receivables represents the Group's maximum exposure to credit risk.

Trade receivable days for the continuing business at 30 September 2010 were 48 days (2009: 47 days).

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

	2010					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	
Trade receivables						
Gross trade receivables	1,291	282	35	18	22	1,648
Less: Provision for impairment of trade receivables	(8)	(10)	(21)	(18)	(22)	(79)
Net trade receivables	1,283	272	14	-	-	1,569

	2009					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	
Trade receivables						
Gross trade receivables	1,169	272	41	17	20	1,519
Less: Provision for impairment of trade receivables	(5)	(6)	(21)	(14)	(20)	(66)
Net trade receivables	1,164	266	20	3	-	1,453

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

Provision for impairment of trade and other receivables	2010			2009		
	Trade £m	Other £m	Total £m	Trade £m	Other £m	Total £m
At 1 October	66	8	74	54	5	59
Charged to income statement	27	-	27	36	3	39
Credited to income statement	(3)	-	(3)	(1)	-	(1)
Utilised	(11)	-	(11)	(13)	-	(13)
Reclassified	-	-	-	(14)	-	(14)
Currency adjustment	-	-	-	4	-	4
At 30 September	79	8	87	66	8	74

At 30 September 2010, trade receivables of £286 million (2009: £289 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 un-provided for amounts are considered to be recoverable.

16 Inventories

Inventories	2010 £m	2009 £m
Net book value		
At 1 October	230	213
Net movement	5	(6)
Currency adjustment	3	23
At 30 September	238	230

17 Cash and cash equivalents

Cash and cash equivalents	2010 £m	2009 £m
Cash at bank and in hand	193	181
Short-term bank deposits	450	407
Cash and cash equivalents ⁽¹⁾	643	588

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

Cash and cash equivalents by currency

	2010 £m	2009 £m
Sterling	462	427
US Dollar	25	17
Euro	43	21
Japanese Yen	6	4
Other	107	119
Cash and cash equivalents	643	588

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 19. The book value of cash and cash equivalents represents the maximum credit exposure.

18 Short-term and long-term borrowings

	2010			2009		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Short-term and long-term borrowings						
Bank overdrafts	39	-	39	71	-	71
Bank loans	21	11	32	11	14	25
Loan notes	77	521	598	23	588	611
Bonds	-	637	637	204	636	840
Borrowings (excluding finance leases)	137	1,169	1,306	309	1,238	1,547
Finance leases	11	31	42	14	39	53
Borrowings (including finance leases) ⁽¹⁾	148	1,200	1,348	323	1,277	1,600

(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.

The Group has fixed term, fixed interest private placements totalling US\$853 million (£541 million) at interest rates between 5.11% and 7.955%. The carrying value of these loan notes is £562 million. It also has a Sterling denominated private placement of £35 million with a carrying value of £36 million.

Loan notes

	Nominal value	Redeemable	Interest
US\$ private placement	\$35m	Nov 2010	5.11%
US\$ private placement	\$62m	May 2011	6.67%
US\$ private placement	\$24m	Sep 2011	7.955%
US\$ private placement	\$450m	May 2012	6.81%
US\$ private placement	\$15m	Nov 2013	5.67%
US\$ private placement	\$105m	Oct 2013	6.45%
US\$ private placement	\$162m	Oct 2015	6.72%
Sterling private placement	£35m	Oct 2016	7.55%

The Group also has Sterling denominated Eurobonds totalling £575 million at interest rates of between 6.375% and 7.0%. The carrying value of these bonds is £637 million. The bond redeemable in December 2014 is recorded at its fair value to the Group on acquisition. The £200 million Sterling Eurobond was redeemed in January 2010.

Bonds

	Nominal value	Redeemable	Interest
Sterling Eurobond	£325m	May 2012	6.375%
Sterling Eurobond	£250m	Dec 2014	7.0%

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

	2010 £m	2009 £m
Maturity profile of borrowings (excluding finance leases)		
Within 1 year, or on demand	137	309
Between 1 and 2 years	650	95
Between 2 and 3 years	2	649
Between 3 and 4 years	81	-
Between 4 and 5 years	289	78
In more than 5 years	147	416
Borrowings (excluding finance leases)	1,306	1,547

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 table below shows the fair value of borrowings excluding accrued interest:

Carrying value and /fair value of borrowings (excluding finance leases)	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
Bank overdrafts	39	39	71	71
Bank loans	32	32	25	25
Loan notes	598	641	611	644
£200m Eurobond Jan 2010	-	-	202	203
£325m Eurobond May 2012	350	347	355	349
£250m Eurobond Dec 2014	287	290	283	279
Bonds	637	637	840	831
Borrowings (excluding finance leases)	1,306	1,349	1,547	1,571

Gross and present value of finance lease liabilities	2010		2009	
	Gross	Present value	Gross	Present value
	£m	£m	£m	£m
<i>Finance lease payments falling due:</i>				
Within 1 year	12	11	16	14
In 2 to 5 years	23	22	28	25
In more than 5 years	9	9	15	14
	44	42	59	53
Less: future finance charges	(2)	-	(6)	-
Gross and present value of finance lease liabilities	42	42	53	53

Borrowings by currency	2010			2009		
	Borrowings	Finance leases	Total	Borrowings	Finance leases	Total
	£m	£m	£m	£m	£m	£m
Sterling	687	-	687	894	-	894
US Dollar	568	14	582	618	19	637
Euro	17	21	38	8	25	33
Japanese Yen	7	-	7	13	1	14
Other	27	7	34	14	8	22
Total	1,306	42	1,348	1,547	53	1,600

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

Undrawn committed facilities	2010	2009
	£m	£m
Expiring between 1 and 5 years	696	756

19 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 17; debt, which includes the borrowings disclosed in note 18; and equity attributable to equity holders 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 of cash, borrowings, receivables and payables that are used to finance the Group's operations. The Group also uses derivatives, principally interest rate swaps and forward currency contracts, 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.

Credit risk

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, derivative and forward foreign currency contracts 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 Moodys of P-1 or equivalent from another recognised agency.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 15.

Derivative financial instruments	2010				2009			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Current assets	Non-current assets	Current liabilities	Non-current liabilities
	£m	£m	£m	£m	£m	£m	£m	£m
Interest rate swaps								
Fair value hedges ⁽¹⁾	9	80	-	-	25	60	-	-
Not in a hedging relationship ⁽²⁾	-	-	(1)	(2)	-	-	(7)	(3)
Other derivatives								
Forward currency contracts	1	-	(4)	-	1	-	(8)	-
Others	-	1	-	-	1	-	-	-
Total	10	81	(5)	(2)	27	60	(15)	(3)

(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).

Notional amount of derivative financial instruments by currency	2010		2009	
	Fair value swaps	Cash flow swaps	Fair value swaps	Cash flow swaps
	£m	£m	£m	£m
Sterling	695	-	1,025	-
US Dollar	254	105	252	110
Euro	-	113	-	155
Japanese Yen	7	103	13	105
Other	-	68	-	113
Total	956	389	1,290	483

Effective currency denomination of borrowings after the effect of derivatives	2010			2009		
	Gross borrowings	Forward contracts	Effective currency of borrowings	Gross borrowings	Forward contracts	Effective currency of borrowings
	£m	£m	£m	£m	£m	£m
Sterling	687	(156)	531	894	(383)	511
US Dollar	582	(103)	479	637	48	685
Euro	38	130	168	33	138	171
Japanese Yen	7	50	57	14	75	89
Other	34	82	116	22	129	151
Total	1,348	3	1,351	1,600	7	1,607

20 Trade and other payables

	2010			2009		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Trade and other payables						
Net book value						
At 1 October	2,378	29	2,407	2,235	33	2,268
Net movement	288	4	292	(105)	(8)	(113)
Currency adjustment	17	1	18	248	4	252
At 30 September	2,683	34	2,717	2,378	29	2,407
Comprised of						
Trade payables ⁽¹⁾	1,107	5	1,112	967	4	971
Amounts owed to associates ⁽¹⁾	-	-	-	1	-	1
Social security and other taxes	265	-	265	213	-	213
Other payables	156	17	173	133	16	149
Deferred consideration on acquisitions ⁽¹⁾	17	10	27	14	7	21
Liability on put options held by minority equity partners ⁽²⁾	-	1	1	6	2	8
Accruals ⁽³⁾	942	1	943	871	-	871
Deferred income	196	-	196	173	-	173
Trade and other payables	2,683	34	2,717	2,378	29	2,407

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

(2) Categorised as 'fair value through profit or loss' (IAS 39).

(3) Of this balance £299 million (2009: £288 million) is categorised as 'other financial liabilities' (IAS 39).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. The current trade and other payables are payable on demand.

Trade payable days for the continuing business at 30 September 2010 were 63 days (2009: 58 days (restated to a comparable basis)).

21 Provisions

Provisions	Insurance £m	Provisions in respect of discontinued and disposed businesses £m	Onerous contracts £m	Legal and other claims £m	Environmental and other £m	Total £m
At 1 October 2008	143	142	50	108	11	454
Reclassified ⁽¹⁾	-	(1)	-	24	-	23
Expenditure in the year	(7)	(29)	(4)	(20)	(3)	(63)
Charged to income statement	16	-	9	21	30	76
Credited to income statement	(3)	(23)	(10)	(14)	(3)	(53)
Fair value adjustments arising on acquisitions	-	-	1	-	-	1
Business disposals - other activities	-	-	-	-	-	-
Unwinding of discount on provisions	-	-	1	-	-	1
Currency adjustment	14	-	2	8	2	26
At 30 September 2009	163	89	49	127	37	465
At 1 October 2009	163	89	49	127	37	465
Reclassified ⁽¹⁾	-	-	1	4	3	8
Expenditure in the year	(6)	(6)	(7)	(19)	(30)	(68)
Charged to income statement	17	-	11	21	12	61
Credited to income statement	-	(17)	(12)	(10)	(5)	(44)
Fair value adjustments arising on acquisitions (note 25)	-	-	1	(1)	-	-
Business disposals - other activities	1	-	-	4	2	7
Unwinding of discount on provisions	-	-	-	-	-	-
Currency adjustment	2	-	1	3	(3)	3
At 30 September 2010	177	66	44	129	16	432

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

Provisions

	2010 £m	2009 £m
Current	130	123
Non-current	302	342
Total provisions	432	465

The provision for insurance relates to the costs of self-funded insurance schemes and is essentially long-term in nature.

Provisions in respect of discontinued and disposed 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. Surplus provisions of £16 million (2009: £23 million) were credited to the discontinued operations section of the income statement in the year.

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

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

Environmental provisions 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. The other provisions include provisions for restructuring.

Provisions are discounted to present value where the effect is material using the Group's weighted average cost of capital.

22 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 3% - 35% of pensionable salaries.

The contributions payable for defined contribution schemes of £54 million (2009: £44 million) have been fully expensed against profits in the current year.

Disclosures showing the assets and liabilities of the schemes are set out below. These have been calculated on the following assumptions:

	UK schemes			USA schemes			Other schemes		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Rate of increase in salaries ⁽¹⁾	4.10%	3.3/4.3%	3.6/4.6%	4.0%	4.0%	4.0%	2.6%	2.6%	3.0%
Rate of increase for pensions in payment ⁽¹⁾	2.4/3.1%	2.3/3.3%	2.9/3.6%	2.5%	2.2%	2.2%	1.2%	1.3%	0.9%
Rate of increase for deferred pensions ⁽¹⁾	3.1%	3.3%	3.6%	0.0%	0.0%	0.0%	1.0%	1.1%	0.6%
Discount rate	5.0%	5.4%	6.4%	4.9%	5.5%	7.0%	3.8%	5.0%	4.9%
Inflation assumption	3.1%	3.3%	3.6%	2.5%	2.2%	2.2%	2.3%	2.2%	2.2%

(1) The rate of increase for the UK schemes varies according to the benefit structure..

The mortality tables used in the actuarial valuation imply life expectancy at age 65 in years for typical members as follows:

	UK schemes				USA schemes	
	Male non-pensioner years	Male pensioner years	Female non-pensioner years	Female pensioner years	Male years	Female years
As at 30 September 2010	22.1	20.6	24.9	23.4	18.4	20.6
As at 30 September 2009	21.8	20.8	24.7	23.8	18.4	20.6

The expected rates of return on individual categories of plan assets are determined after taking advice from external experts and using available market data, for example, by reference to relevant equity and bond indices published by stock exchanges. The overall rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the respective investment portfolio of each plan.

	2010				2009			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Fair value of plan assets								
At 1 October	1,263	156	106	1,525	1,204	127	88	1,419
Currency adjustment	-	2	5	7	-	15	15	30
Expected return on plan assets	68	13	6	87	73	11	5	89
Actuarial gain/(loss)	47	(2)	1	46	6	(7)	(6)	(7)
Employee contributions	2	12	3	17	3	10	3	16
Employer contributions	19	8	16	43	21	14	22	57
Benefits paid	(51)	(15)	(14)	(80)	(45)	(14)	(19)	(78)
Disposals and plan settlements	-	-	(6)	(6)	-	-	(2)	(2)
Acquisitions	-	-	-	-	1	-	-	1
At 30 September	1,348	174	117	1,639	1,263	156	106	1,525

Present value of defined benefit obligations	2010				2009			
	UK	USA	Other	Total	UK	USA	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October	1,405	259	197	1,861	1,187	196	169	1,552
Currency adjustment	-	2	6	8	-	22	28	50
Current service cost	6	6	10	22	8	6	9	23
Past service cost	-	-	-	-	1	-	-	1
Curtailment credit	-	-	-	-	-	-	(1)	(1)
Amount charged to plan liabilities	75	17	10	102	75	16	9	100
Actuarial (gain)/loss	69	14	21	104	175	23	-	198
Employee contributions	2	12	3	17	3	10	3	16
Benefits paid	(51)	(15)	(14)	(80)	(45)	(14)	(19)	(78)
Disposals and plan settlements	-	-	(6)	(6)	-	-	(2)	(2)
Acquisitions	-	-	1	1	1	-	1	2
At 30 September	1,506	295	228	2,029	1,405	259	197	1,861

Present value of defined benefit obligations	2010				2009			
	UK	USA	Other	Total	UK	USA	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Funded obligations	1,473	218	164	1,855	1,372	190	139	1,701
Unfunded obligations	33	77	64	174	33	69	58	160
Total obligations	1,506	295	228	2,029	1,405	259	197	1,861

Post-employment benefit obligations recognised in the balance sheet	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Present value of defined benefit obligations	2,029	1,861	1,552	1,512	1,690
Fair value of plan assets	(1,639)	(1,525)	(1,419)	(1,442)	(1,408)
Total deficit of defined benefit pension plans per above	390	336	133	70	282
Surplus not recognised	-	1	-	92	-
Past service cost not recognised ⁽¹⁾	(1)	(2)	(2)	-	-
Post-employment benefit obligations per the balance sheet	389	335	131	162	282

(1) To be recognised over the remaining service life in accordance with IAS 19.

Certain group companies have taken out life insurance policies which will be used to meet unfunded pension obligations. The current value of these policies, £21 million (2009: £19 million), may not be offset against pension obligations under IAS 19 and is reported within note 13.

Total pension costs/(credits) recognised in the income statement	2010				2009			
	UK	USA	Other	Total	UK	USA	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Current service cost	6	6	10	22	8	6	9	23
Past service credit	-	-	-	-	1	-	-	1
Curtailment credit	-	-	-	-	-	-	(1)	(1)
Charged/(credited) to operating expenses	6	6	10	22	9	6	8	23
Amount charged to pension liability	75	17	10	102	75	16	9	100
Expected return on plan assets	(68)	(13)	(6)	(87)	(73)	(11)	(5)	(89)
Charged/(credited) to finance costs	7	4	4	15	2	5	4	11
Total pension costs/(credits)	13	10	14	37	11	11	12	34

The history of experience adjustments is as follows. In accordance with the transitional provisions for the amendments to IAS 19 issued on 16 December 2004, the disclosures below are determined prospectively from the 2005 reporting period.

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Experience adjustments					
Experience adjustments on plan liabilities – gain/(loss)	19	(3)	5	(15)	(14)
Experience adjustments on plan assets – (loss)/gain	46	(7)	(189)	22	39

The actuarial gain/loss reported in the statement of recognised income and expense can be reconciled as follows:

	2010	2009
	£m	£m
Actuarial adjustments		
Actuarial (gains)/losses on fair value of plan assets	(46)	7
Actuarial (gains)/losses on defined benefit obligations	104	198
Actuarial (gains)/losses	58	205
Increase/(decrease) in surplus not recognised	(1)	1
Actuarial (gains)/losses per the consolidated statement of comprehensive income	57	206

The Group made total contributions to defined benefit schemes of £43 million in the year (2009: £57 million) and expects to make regular ongoing contributions to these schemes of £64 million in 2011.

The expected return on plan assets is based on market expectations at the beginning of the period. The actual return on assets was a gain of £133 million (2009: gain of £82 million).

The cumulative actuarial loss recognised in the statement of recognised income and expense was £404 million (2009: £347 million). An actuarial loss of £57 million (2009: loss of £206 million) was recognised during the year.

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions, including the discount rate and life expectancy. An increase or decrease of 0.5% in the UK discount rate would result in a £142 million decrease or £158 million increase in the UK defined benefit obligations, respectively. An increase or decrease of one year in the life expectancy of all UK members from age 65, would result in a £45 million increase or £44 million decrease in the UK defined benefit obligations, respectively.

23 Called up share capital

During the year 4,102,900 options were granted under The Compass Group Share Option Plan 2010. All options were granted over the Company's ordinary shares and the grant price was equivalent to the market value of the Company's shares at the date of grant. No options were granted under any of the company's other share option plans.

	2010		2009	
	Number of shares	£m	Number of shares	£m
Authorised and allotted share capital				
Authorised:				
Ordinary shares of 10p each	3,000,010,000	300	3,000,010,000	300
Allotted and fully paid:				
Ordinary shares of 10p each	1,886,343,012	189	1,853,813,959	185
Allotted share capital				
	2010		2009	
	Number of shares		Number of shares	
Ordinary shares of 10p each allotted as at 1 October	1,853,813,959		1,841,932,734	
Ordinary shares allotted during the year on exercise of share options	30,487,113		12,666,765	
Ordinary shares allotted during the year on exercise of Long-Term Incentive Plan awards	2,041,940		3,189,460	
Repurchase of ordinary share capital	-		(3,975,000)	
Ordinary shares of 10p each allotted as at 30 September	1,886,343,012		1,853,813,959	

24 Share-based payments

Full details of The Compass Group Share Option Plan 2010 ('Option Plan 2010'), the Compass Group Share Option Plan ('Option Plan'), the Management Share Option Plan ('Management Plan') (collectively the 'Executive and Management Option Plans') and the UK and International Sharesave Plans are set out in the Directors' Remuneration report part of the Annual Report.

25 Business combinations

The Group acquired 100% of Hurley Corporation, a provider of soft support services to the Canadian Business & Industry sector, on 4 February 2010 for a total consideration of £31 million, of which £6 million is deferred. 100% of Southeast Service Corporation, a provider of soft support services to the USA B&I and Education sectors, was acquired on 7 July 2010 for £47million, £8 million of which is deferred. In addition small infill acquisitions in the USA vending business were completed for a total consideration of £9 million.

In France the Group strengthened its position by acquiring 100% of Caterine Restauration, for £45 million on 30 April, a provider of food service in the Education and Healthcare sector.

In the UK, 100% of Vision Security Group was acquired on 10 September 2010 for £42 million.

In addition to the acquisitions set out above, there have been other minor acquisitions in several countries for the total consideration of £52 million.

	Acquisitions		Adjustments ⁽¹⁾	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired				
Contract-related and other intangibles arising on acquisition	9	25	1	26
Property, plant and equipment	19	19	2	21
Inventories	3	3	-	3
Trade and other receivables	53	53	-	53
Cash and cash equivalents	20	20	-	20
Deferred tax asset	3	3	-	3
Other assets	1	1	-	1
Trade and other payables	(66)	(66)	(2)	(68)
Deferred tax liabilities	(6)	(6)	-	(6)
Minority interest	5	5	-	5
Other liabilities	(48)	(48)	(1)	(49)
Fair value of net assets acquired	(7)	9	-	9
Goodwill arising on acquisition		205	12	217
Total consideration		214	12	226

Satisfied by

Cash consideration		191	12	203
Deferred consideration		23	-	23
		214	12	226

Cash flow

Cash consideration		191	12	203
Cash acquired		(20)	-	(20)
Acquisitions transaction costs		5	-	5
Net cash outflow arising on acquisition		176	12	188
Deferred consideration and other payments relating to previous acquisitions				17
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings				205

(1) Adjustments to provisional amounts in respect of prior year acquisitions within the measurement period in accordance with International Financial Reporting Standard 3 'Business Combinations 2003'.

Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with International Financial Reporting Standard 3 'Business Combinations' (revised 2008). The adjustments made in respect of acquisitions in the year to 30 September 2010 are provisional and will be finalised within 12 months of the acquisition date.

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. Of the goodwill arising, an amount of £8m is expected to be deductible for tax purposes.

Acquisition transaction costs expensed in the year to 30 September 2010 were £5 million (2009:£nil).

In the period from acquisition to 30 September 2010 the acquisitions contributed revenue of £122 million and operating profit of £5 million to the Group's results.

If the acquisitions had occurred on 1 October 2009, it is estimated that Group revenue for the period would have been £14,612 million and total Group operating profit (including associates) would have been £995 million.

26 Reconciliation of operating profit to cash generated by operations

Reconciliation of operating profit to cash generated by continuing operations	2010	2009
	£m	£m
Operating profit from continuing operations	983	870
<i>Adjustments for:</i>		
Acquisition transaction costs	5	-
Amortisation of intangible assets	90	89
Amortisation of intangible assets arising on acquisition	7	7
Depreciation of property, plant and equipment	148	136
(Gain)/loss on disposal of property, plant and equipment / intangible assets	-	2
(Gain)/loss on disposal of investments	-	(1)
Impairment of other investments	1	-
Increase/(decrease) in provisions	(25)	8
Increase/(decrease) in post-employment benefit obligations	(19)	(33)
Share based payments expense - minority interest call option	2	-
Share-based payments - charged to profits	9	4
Share-based payments - settled in cash or existing shares ⁽¹⁾	1	(1)
Operating cash flows before movement in working capital	1,202	1,081
(Increase)/decrease in inventories	-	8
(Increase)/decrease in receivables	(87)	96
Increase/(decrease) in payables	215	(71)
Cash generated by continuing operations	1,330	1,114

(1) It was originally anticipated these payments would be satisfied by the issue of new shares.

27 Cash flow from discontinued operations

	2010	2009
	£m	£m
Cash flow from discontinued operations		
Net cash from/(used in) operating activities of discontinued operations		
Cash generated from discontinued operations	3	(1)
Tax paid	-	-
Net cash from/(used in) operating activities of discontinued operations	3	(1)
Net cash from/(used in) investing activities by discontinued operations		
Purchase of property, plant and equipment	-	-
Proceeds from sale of property, plant and equipment	-	-
Net cash from/(used in) investing activities by discontinued operations	-	-
Net cash from/(used in) financing activities by discontinued operations		
Dividends paid to minority interests	-	-
Net cash from/(used in) financing activities by discontinued operations	-	-

28 Reconciliation of net cash flow to movement in net debt

	Gross debt							Net debt
	Cash and cash equivalents	Bank overdrafts	Bank and other borrowings	Total overdrafts and borrowings	Finance leases	Derivative financial instruments	Gross debt	
Net debt	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2008	579	(29)	(1,512)	(1,541)	(53)	10	(1,584)	(1,005)
Net increase/(decrease) in cash and cash equivalents	(11)	-	-	-	-	-	-	(11)
Cash outflow from repayment of bonds	-	-	356	356	-	-	356	356
Cash (inflow) from private placement	-	-	(187)	(187)	-	-	(187)	(187)
Cash (inflow)/outflow from other changes in gross debt	-	(36)	45	9	-	-	9	9
Cash (inflow)/outflow from repayment of obligations under finance leases	-	-	-	-	15	-	15	15
(Increase)/decrease in net debt as a result of new finance leases taken out	-	-	-	-	(4)	-	(4)	(4)
Currency translation gains/(losses)	20	(4)	(130)	(134)	(4)	-	(138)	(118)
Acquisitions and disposals (excluding cash)	-	(2)	(6)	(8)	(7)	-	(15)	(15)
Reclassification of forward contracts	-	-	7	7	-	(7)	-	-
Other non-cash movements	-	-	(49)	(49)	-	66	17	17
At 30 September 2009	588	(71)	(1,476)	(1,547)	(53)	69	(1,531)	(943)
At 1 October 2009	588	(71)	(1,476)	(1,547)	(53)	69	(1,531)	(943)
Net increase/(decrease) in cash and cash equivalents	51	-	-	-	-	-	-	51
Cash outflow from repayment of bonds	-	-	200	200	-	-	200	200
Cash (inflow)/outflow from other changes in gross debt	-	34	54	88	-	18	106	106
Cash (inflow)/outflow from repayment of obligations under finance leases	-	-	-	-	15	-	15	15
(Increase)/decrease in net debt as a result of new finance leases taken out	-	-	-	-	(3)	-	(3)	(3)
Currency translation gains/(losses)	4	(2)	(5)	(7)	-	(8)	(15)	(11)
Acquisitions and disposals (excluding cash)	-	-	(40)	(40)	(1)	-	(41)	(41)
Other non-cash movements	-	-	-	-	-	5	5	5
At 30 September 2010	643	(39)	(1,267)	(1,306)	(42)	84	(1,264)	(621)

Other non-cash movements are comprised as follows:

	2010	2009
	£m	£m
Other non-cash movements in net debt		
Bank overdrafts	-	-
Amortisation of the fair value adjustment in respect of the £250 million sterling Eurobond redeemable in 2014	4	4
Swap monetisation credit	4	7
Unrealised net gains/(losses) on bank and other borrowings in a designated fair value hedge	(8)	(60)
Bank and other borrowings	-	(49)
Changes in the value of derivative financial instruments	5	66
Other non-cash movements	5	17

29 Contingent liabilities

Contingent liabilities	2010 £m	2009 £m
Performance bonds and guarantees and indemnities (including those of associated undertakings) ⁽¹⁾	354	330

(1) Excludes bonds, guarantees and indemnities in respect of self-insurance liabilities, post-employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 31.

Performance bonds, guarantees and indemnities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of such guarantees relating to the Group's own contracts and / or the Group's share of certain contractual obligations of joint ventures and associates. Where the Group enters into such arrangements, it does so in order to provide assurance to the beneficiary that it will fulfil its existing contractual obligations. The issue of such guarantees and indemnities does not therefore increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

Eurest Support Services

On 21 October 2005, the Company announced that it had instructed Freshfields Bruckhaus Deringer to conduct an investigation into the relationships between Eurest Support Services ('ESS') (a member of the Group), IHC Services Inc. ('IHC') and the United Nations ('UN'). Ernst & Young assisted Freshfields Bruckhaus Deringer in this investigation. On 1 February 2006, it was announced that the investigation had concluded.

The investigation established serious irregularities in connection with contracts awarded to ESS by the UN. The work undertaken by Freshfields Bruckhaus Deringer and Ernst & Young gave no reason to believe that these issues extended beyond a few individuals within ESS to other parts of ESS or the wider Compass Group of companies.

The Group settled all outstanding civil litigation against it in relation to this matter in October 2006, but litigation continues between competitors of ESS, IHC and other parties involved in UN procurement.

IHC's relationship with the UN and ESS was part of a wider investigation into UN procurement activity being conducted by the United States Attorney's Office for the Southern District of New York, and with which the Group co-operated fully. The current status of that investigation is uncertain and a matter for the US authorities. Those investigators could have had access to sources unavailable to the Group, Freshfields Bruckhaus Deringer or Ernst & Young, and further information may yet emerge which is inconsistent with, or additional to, the findings of the Freshfields Bruckhaus Deringer investigation, which could have an adverse impact on the Group. The Group has, however, not been contacted by, or received further requests for information from, the United States Attorney's Office for the Southern District of New York in connection with these matters since January 2006. The Group has co-operated fully with the UN throughout.

Other litigation

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.

Outcome

Although it is not possible to predict the outcome 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.

Minimum profits guarantee

The Group has provided a guarantee to one of its joint venture partners over the level of profits which will accrue to them in future periods. The maximum amount payable under this guarantee is £35 million, which would be payable in respect of the period from 1 July 2007 to 31 December 2010. Based on the latest management projections, no overall liability is expected to arise in relation to this guarantee; however, the phasing of profits over the period covered by this guarantee is expected to give rise to a number of annual payments / repayments between the parties.

30 Capital commitments

Capital commitments	2010 £m	2009 £m
Contracted for but not provided for	70	61

The majority of capital commitments are for intangible assets.

31 Operating lease and concessions commitments

The Group leases offices and other premises under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights. The Group has some leases that include revenue-related rental payments that are contingent on future levels of revenue.

Future minimum rentals payable under non-cancellable operating leases and concessions agreements are as follows:

	2010			2009		
	Operating leases		Other occupancy rentals	Operating leases		Other occupancy rentals
	Land and buildings	Other assets		Land and buildings	Other assets	
	£m	£m	£m	£m	£m	£m
Operating lease and concessions commitments						
Falling due within 1 year	50	52	43	53	47	42
Falling due between 2 and 5 years	118	90	53	123	68	64
Falling due in more than 5 years	62	7	36	74	9	34
Total	230	149	132	250	124	140

32 Related party transactions

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

Subsidiaries

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

Joint ventures

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the period save for a receipt of £1 million (which is part payment for the £3 million payment made in 2009, the remainder of which is expected to be recovered in subsequent years) under the terms of the minimum profits guarantee referred to in note 29.

Associates

The balances with associated undertakings are shown in notes 15 and 20. 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 the Annual Report. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

33 Post balance sheet events

On 28 October 2010, the Group acquired Reilimpa Limpezas e Servicos, SA. ("Reilimpa") from Inbright, S.A for a consideration of €4.4 million (£3.8 million). The acquisition is subject to approval by the Portuguese Competition Authority. The revenue of Reilimpa in the year to 30 December 2009 was €8.7 million (£7.4 million). Reilimpa is a well established support services business in Portugal.

On 2 November 2010, the Group acquired Siete Cero Dos Limpiezas Gestionadas, S.L., Actividades y Servicios Catering, S.A. and Lluna Cangurs, S.L. (together "Sabora") from Catalina Arias Cánovas and Jose Manuel Foncillas Alvirs for consideration of €3.2 million (£2.7 million). The revenue of Sabora in the year to 30 December 2009 was €4.1 million (£3.5 million). Sabora is a Spanish foodservice company operating in the Education sector.

34 Exchange rates

Exchange rates

	2010	2009
Average exchange rate for year		
Australian Dollar	1.74	2.12
Brazilian Real	2.77	3.26
Canadian Dollar	1.64	1.82
Euro	1.15	1.15
Japanese Yen	139.19	149.65
Norwegian Krone	9.34	10.12
South African Rand	11.64	13.69
Swedish Krona	11.28	12.08
Swiss Franc	1.63	1.74
UAE Dirham	5.73	5.73
US Dollar	1.56	1.56
Closing exchange rate as at 30 September		
Australian Dollar	1.63	1.83
Brazilian Real	2.67	2.85
Canadian Dollar	1.62	1.73
Euro	1.15	1.10
Japanese Yen	131.64	143.86
Norwegian Krone	9.23	9.34
South African Rand	10.99	11.84
Swedish Krona	10.61	11.21
Swiss Franc	1.54	1.66
UAE Dirham	5.79	5.85
US Dollar	1.58	1.59

(1) Average rates are used to translate the income statement and cash flow. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

35 Details of principal subsidiary companies

All companies listed below are wholly owned by the Group, except where otherwise indicated. All interests are in the ordinary share capital. All companies operate principally in their country of incorporation. A full list of the Group's operating subsidiary undertakings will be annexed to the next annual return.

Company	Country of incorporation	Principal activities
North America		
Compass Group Canada Ltd	Canada	Foodservice and support services
Bon Appétit Management Co	USA	Foodservice
Compass Group USA Investments, Inc	USA	Holding company
Compass Group USA, Inc	USA	Foodservice and support services
Crothall Services Group	USA	Support services to the healthcare market
Flik International Corp	USA	Fine dining facilities
Foodbuy LLC	USA	Purchasing services in North America
Levy Restaurants LP	USA	Fine dining and foodservice at sports and entertainment facilities
Morrison Management Specialists, Inc	USA	Foodservice to the healthcare and senior living market
Restaurant Associates Corp	USA	Fine dining facilities
Wolfgang Puck Catering & Events, LLC (90%)	USA	Fine dining facilities
Continental Europe		
Compass Group France Holdings SAS	France	Holding company
Compass Group France	France	Foodservice and support services
Compass Group Deutschland GmbH	Germany	Holding company
Medirest GmbH & Co OHG	Germany	Foodservice to the healthcare and senior living market
Eurest Deutschland GmbH	Germany	Foodservice to business and industry
Eurest Services GmbH	Germany	Support services to business and industry
Eurest Sports & Food GmbH	Germany	Foodservice to the sports and leisure market
Compass Group Italia S.P.A	Italy	Foodservice, support services and prepaid meal vouchers
Compass Group International BV	Netherlands	Holding company
Compass Group Nederland BV	Netherlands	Foodservice and support services
Compass Group Nederland Holding BV	Netherlands	Holding company
Eurest Services BV	Netherlands	Foodservice and support services
Compass Group Holdings Spain, S.L.	Spain	Holding company
Eurest Colectividades S.L.	Spain	Foodservice and support services
Compass Group (Schweiz) AG	Switzerland	Foodservice and support services
Restorama AG	Switzerland	Foodservice
United Kingdom		
Compass Contract Services (UK) Ltd	England & Wales	Foodservice and support services
Compass Group Holdings PLC	England & Wales	Holding company and corporate activities
Compass Group, UK & Ireland Ltd	England & Wales	Holding company
Compass International Purchasing Ltd	England & Wales	Purchasing services throughout the world
Compass Purchasing Ltd	England & Wales	Purchasing services in the UK and Ireland
Compass Services UK Ltd	England & Wales	Foodservice and support services
Hospitality Holdings Ltd ⁽¹⁾	England & Wales	Intermediate holding company
Letheby & Christopher Ltd	England & Wales	Foodservice for the UK sports and events market
Scolarest Ltd	England & Wales	Foodservice for the UK education market
VSG Group limited	England & Wales	Security and support services
Rest of the World		
Compass Group (Australia) Pty Ltd	Australia	Foodservice and support services
GR SA	Brazil	Foodservice and support services
Seiyo Food - Compass Group, Inc	Japan	Foodservice and support services
Compass Group Southern Africa (Pty) Ltd 97.5%)	South Africa	Foodservice and support services

(1) Held directly by the parent company.

Notes:

- (a) Compass Group is the world's leading foodservice and support services company with annual revenue of over £14 billion operating in 50 countries.
- (b) MAP is a simple, but clearly defined Group operating framework. MAP focuses on five key value drivers, enabling the businesses to deliver disciplined, profitable growth with the focus more on organic growth and like for like growth.

The five key value drivers are:

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

- (c) Definitions used throughout this press release include:

- Constant currency restates the prior year results to 2010's average exchange rates.
- Organic growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full year in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior year at current year exchange rates) and compares the current year results against the prior year.
- Total operating profit includes share of profit of associates.
- Underlying operating profit includes share of profit of associates but excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs and share based payments expense – minority interest call option.
- Operating margin is based on revenue and operating profit excluding share of profit of associates.
- Underlying net finance cost excludes hedge accounting ineffectiveness and the change in fair value of minority interest put options.
- Underlying profit before tax and income tax expense excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs, share based payments expense – minority interest call option, hedge accounting ineffectiveness and the change in fair value of minority interest put options.
- Underlying basic earnings per share excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs, share based payments expense – minority interest call option, hedge accounting ineffectiveness, the change in fair value of minority interest put options and the tax attributable to these amounts.

- (d) The timetable for payment of the final dividend of 12.5p per share is as follows:

Ex dividend date:	26 January 2011
Record date:	28 January 2011
Payment date:	28 February 2011

- (e) The Annual Results Announcement was approved by the Directors on 24 November 2010 and has been derived from the Company's Annual Report and Accounts for the year ended 30 September 2010. The Auditors' Report on these accounts was unqualified and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985.

The 2010 Annual Report and Accounts will be published on 22 December 2010. Confirmation will be sent to the London Stock Exchange Regulatory News Service (RNS) and a copy of the report will be published on the Group's website (www.compass-group.com). Printed copies of the report will be mailed to shareholders and other interested parties who have not opted-in to the Company's electronic communication programme. A copy will also be submitted to the National Storage Mechanism and will be available for inspection at www.hemscott.com/nsm.do

The Annual Results Announcement does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985 or Section 434 of the Companies Act 2006.

- (f) Forward looking statements

This Annual Results Announcement contains forward looking statements within the meaning of Section 27A of the Securities Act 1933, as amended, and Section 21E of the Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such forward looking statements. The terms 'expect', 'should be', 'will be', 'is likely to' and similar expressions identify forward looking statements. Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to: general economic conditions and business conditions in Compass Group's markets; exchange rate fluctuations; customers' and clients' acceptance of its products and services; the actions of competitors; and legislative, fiscal and regulatory developments.

- (g) A presentation for analysts and investors will take place at 9:30 a.m. (GMT/London) on Wednesday 24 November 2010 at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ.

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

- To listen to the live presentation via teleconference, dial +44 (0) 20 3140 0722.
- To view the presentation slides and/or listen to a live webcast of the presentation, go to www.compass-group.com or www.cantos.com.
- Please note that remote listeners will not be able to ask questions during the Q&A session.

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

- A teleconference replay of the presentation will be available from 12:00 p.m. (GMT/London) on Wednesday 24 November 2010 for seven days. To hear the replay, dial +44 (0) 20 3140 0698, passcode 374780#.
- A webcast replay of the presentation will be available for six months, at www.compass-group.com and www.cantos.com

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