



Compass Group PLC  
Annual Results Announcement  
For The Year Ended 30 September 2011

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**Continuing to invest in growth and reward shareholders**

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- Revenue £15.8 billion + 9.4% (constant currency + 9.2%, organic + 5.4%)
  - Underlying operating profit £1,091 million + 9% (constant currency + 9%)
  - Underlying earnings per share 39.0 pence + 9% (constant currency + 9%)
  - Reported profit before tax £958 million + 5%
  - Free cash flow £693 million
  - Full year dividend 19.3 pence + 10%
  - Share buy back £500 million over 12 months
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**Richard Cousins, Chief Executive, said:**

“Compass has delivered another strong performance this year. Including the impact of acquisitions, revenue has increased by almost 10% and we have delivered organic revenue growth of over 5%. Our relentless focus on efficiency has continued and, excluding the impact of Japan and restructuring costs, we have increased the underlying margin by 20 basis points. Whilst we are not immune from economic reality, the fundamentals of the business remain strong and our flexible cost base will enable us to respond quickly to any changes in economic conditions. We continue to see many opportunities for further outsourcing in our core food market and support services is adding an exciting new dimension to our growth. We are also placing greater emphasis on the fast growing and emerging markets, where we see real opportunity for further expansion.

Increasingly we see our business in three geographic segments, North America, Europe & Japan and Fast Growing & Emerging Markets. Our management structure will now evolve to reflect this and we are today announcing the appointment of Gary Green and Andy Martin as Group Chief Operating Officers. Gary will continue to have responsibility for North America and Andy will focus on Europe & Japan while I will allocate more of my time to the Fast Growing & Emerging Markets. We are also pleased to announce the appointment of Dominic Blakemore as Group Finance Director.”

A handwritten signature in cursive script, reading "Richard Cousins".

**Sir Roy Gardner, Chairman, said:**

“The Group continues to make excellent progress, despite the headwinds of food cost inflation, an uncertain economic backdrop in parts of the world and the impact of events in Japan. The strength of our cash flows enables us to increase investment in the business to drive organic growth, as well as investing in high-quality infill acquisitions. Looking forward, Compass is well placed to exploit the significant growth opportunities that we see in many of our markets. The future prospects of the Group have given us the confidence to increase the final dividend by 10% and to announce a £500 million share buy back over the next 12 months.”

A handwritten signature in cursive script, reading "Roy Gardner".

## Chief Executive's Statement

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### Group overview

Reported revenue has grown by 9.4% in the year and 9.2% on a constant currency basis. After adjusting for the impact of acquisitions and disposals, we have seen good organic revenue growth of 5.4% for the year.

Underlying operating profit increased by 9% in the year, with the operating margin remaining flat. During the year we incurred around a £15 million profit impact following the Japanese earthquake in March and a higher than normal level of restructuring costs of around £15 million relating to acquisitions. Excluding the impact of these, the operating margin would have improved by 20 basis points.

### £40 million of net new business growth

We have delivered new business growth of 8.8% throughout the year. The investment we have made in sales training over the past two years is delivering improved win rates and a more consistent quality of new business. In addition to the good growth in foodservice, we are seeing high rates of new business in support and multi-services. International Clients are an important part of our growth strategy and we have again made good progress in this area, winning or extending our global relationships with SAP, Shell, Peugeot and Chevron.

Over the last two years, we have put more focus on retention and we are very encouraged to see a significant improvement in the Group retention rate, which has moved from 93% in the first half of 2010 to 94.5% in the second half of 2011.

### £23 million of base estate profit growth

The like for like revenue growth of 2.4% largely reflects price increases, driven by gradually increasing food cost inflation throughout the year.

In the first half of the year, against very weak comparatives, we experienced a little volume growth. As we moved into the second half, we faced the combination of much tougher comparatives together with some further weakness in the macro economic backdrop in the UK and Continental Europe, as well as the impact of the earthquake in Japan. Overall, like for like volume in the second half of the year was marginally positive in North America and the Rest of the World and a little negative in the UK & Ireland and Continental Europe. Whilst the macro economic backdrop is putting some pressure on headcounts and spend at our Business & industry clients' sites, we are working hard to drive increased participation and spend through excellent consumer propositions, intelligent marketing, retail skills and attractive pricing. Although difficult to predict, looking at the macro data, we continue to expect like for like volumes to remain dull throughout 2012.

The majority of our cost base is variable and we continue to manage it in response to any decline in like for like volumes. As we went through the downturn of 2009 and 2010, we were able to flex the cost base and drive efficiencies quickly, which offset the profit impact of the fall in like for like volumes. The tools we used then remain available to us today and we see this as crucial to our business model.

We have seen a steady increase in food inflation throughout the year. Whilst this is clearly beyond our control, there are many actions that we take to help mitigate the impact and manage inflation. Menu management, for example, is a key tool that enables us to avoid or use less of the foodstuffs that are most affected by input cost inflation. In addition to this, we are continuing to drive greater efficiency in purchasing and logistics. Finally, our contract structures generally allow us to sensibly increase prices where we have experienced input cost inflation.

We have made further progress in the year on our £5 billion MAP 3 cost of food and our nearly £9 billion MAP 4 unit costs. We continue to work hard to improve productivity and we see many ongoing opportunities to drive greater efficiency across the Group.

### £4 million of net above unit overhead savings

We are continuing to drive above unit overhead efficiencies, holding the cost broadly flat whilst absorbing inflation and bringing in a number of infill acquisitions. Over the last five years, we have reduced above unit overheads by around £100 million, in absolute terms, while growing the revenue by £3.6 billion, so reflecting a significant productivity saving.

## Chief Executive's Statement (continued)

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### £19 million from acquisitions

This relates to the incremental operating profit, after restructuring costs, of the acquisitions made in both 2010 and 2011.

### Strategy

#### *Focus on food*

Our strategy remains unchanged. Food is our core business. The structural growth opportunity is significant with an estimated market size of around £200 billion of which less than 50% is already outsourced. Although Business & Industry is the most penetrated sector, there remains excellent growth potential as there is a strong propensity to outsource within the sector. Less penetrated sectors, such as Healthcare and Education also offer great opportunities for growth. These markets are significant and, as economic conditions continue to put increasing pressure on both the public and private sectors, we believe the benefits of outsourcing will become ever more apparent.

#### *Fast growing support services*

Support and multi-services are becoming an increasingly important part of the Group and now represents 22%, or £3.5 billion, of Group revenues. Within the 22%, 7% relates to the food element of multi-service contracts and 15% to support services. Country by country, we are continuing to build a strong support services offer. Although organic growth is the priority, we have acquired over 20 support services businesses over the past 10 years to help accelerate growth and bring new capabilities to the Group. We have had another excellent year of new business wins including a significant contract with Ascension Health, one of the largest non-profit healthcare systems in the US. We will be providing food and support services to 86 sites across the US.

#### *Geographic spread*

Increasingly we see our business in three segments; North America, the more developed markets of Europe and Japan and our fast growing and emerging markets. These segments comprise countries which are at similar stages of development and demonstrate similar characteristics. North America accounts for nearly £7 billion of revenue and remains our biggest growth engine. The US culture is open to outsourcing and the current economic climate is resulting in some increased activity. We have an excellent pipeline of new business, high retention rates and ongoing opportunities to drive efficiencies. Europe and Japan, which, at just over £6 billion of revenue, account for around 40% of the Group, offer good growth potential, although current performance is being affected by the weak economic backdrop. As well as core Business & Industry, there are good opportunities in Healthcare and Education and increasingly in multi-services. With operating margins currently below the Group average we see lots of potential to drive greater efficiency. The fast growing and emerging countries, which together generate revenues of £2.8 billion, are becoming much more important to the Group. Having exited over 40 difficult and sub scale countries in the middle of the last decade and with the confidence derived from rapid margin expansion, we have been increasingly focusing and investing in Australia and the emerging countries. We enjoy high rates of organic growth in these countries and we would hope to see double digit growth for many years to come. One day this segment will be a much larger proportion of the Group.

#### *Management changes*

With the differing opportunities and challenges in each geographic region, we are evolving our management structure to bring a more incisive focus to each area. We are therefore pleased to announce today the appointment of Andrew Martin, Group Finance Director, as a Group Chief Operating Officer. Andrew will assume responsibility for the Group's operations in Europe and Japan from 2 April 2012. From the same date Gary Green, currently Group Managing Director for North America, will also assume the title of a Group Chief Operating Officer with responsibility for North America. Both Messrs Martin and Green will remain Directors of the Company.

On 27 February 2012, Dominic Blakemore will be appointed as Group Finance Director Designate. Mr Blakemore, 42, will succeed Mr Martin as Group Finance Director on 2 April 2012. Mr Blakemore is currently Chief Financial Officer of Iglo Foods Group Limited, which he joined from Cadbury Plc, where he was European Finance and Strategy Director, having previously held senior finance roles as Corporate Finance Director and Group Financial Controller. Prior to joining Cadbury Plc, Mr Blakemore was a Director at PricewaterhouseCoopers.

## Chief Executive's Statement (continued)

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### *Acquisitions*

In tandem with our concentration on organic growth, over the last couple of years we have placed more focus on making selective infill acquisitions. Over the past two years, we have invested over £600 million in small to medium sized infill acquisitions, with a good mix between food and support services and an increasing amount in the fast growing and emerging markets, for example, more than doubling our presence in Turkey and establishing a strong national footprint in India. We continue to have a strong preference for small to medium sized infill acquisitions, building scale in food and support services in our existing geographies. As appropriate acquisition opportunities arise, we will invest in food and support services, in both developed and emerging markets.

### *Shareholder returns*

In addition to pursuing our strategy of infill acquisitions, the strength of our cash flow has enabled us to invest in organic growth and to reward our shareholders. Our commitment to a progressive dividend policy remains strong, and to drive greater efficiency in the balance sheet, we will now commence a £500 million share buy back with the intention to complete this over the next twelve months. The increasing predictability of the business and cash flows gives us confidence that we should retain our existing credit ratings (A- with Standard and Poors and Baa1 with Moody's) and an appropriate level of financial flexibility.

### *Outlook*

Compass has had a good year. Strong organic revenue growth has been driven by good levels of new business wins across the Group and an improvement in the underlying rate of retention. Ongoing cost efficiencies are driving further improvement in the underlying operating margin and enabling us to reinvest in the business. Infill acquisitions are also making a meaningful contribution to growth. This strong performance is despite the impact of the tragic events in Japan, rising food costs and economic weakness in some of our markets. The fundamentals of the business are working well.

As we look forward, we remain very positive about the opportunities to grow the business. Whilst the current economic uncertainty is likely to put ongoing pressure on like for like volume in parts of the business, the opportunities to grow the business are very positive and our flexible cost base will enable us to respond quickly and effectively. We are well placed to capitalise on the significant structural growth opportunities in both food and support services around the world and we are encouraged by the pipeline of new business. Whilst we see growth potential across all our geographies, we are increasing our focus on expanding our presence in the fast growing and emerging economies. We will also continue to drive cost efficiency, underpinning our expectation of further progress in the operating margin over the medium-term. Strong cash flows should continue to enable us both to reward shareholders and invest in value creating infill acquisitions.



**Richard Cousins**  
Group Chief Executive  
23 November 2011

## Business Review

### Financial Summary

	2011	2010	Increase / (Decrease)
<b>Continuing operations</b>			
<b>Revenue</b>			
Constant currency	£15,833m	£14,504m	9.2%
Reported	£15,833m	£14,468m	9.4%
Organic growth	5.4%	3.2%	-
<b>Total operating profit</b>			
Constant currency	£1,091m	£1,005m	8.6%
Underlying	£1,091m	£1,003m	8.8%
Reported	£1,016m	£989m	2.7%
<b>Operating margin</b>			
Constant currency	6.9%	6.9%	-
Underlying	6.9%	6.9%	-
Reported	6.4%	6.8%	(40)bps
<b>Profit before tax</b>			
Underlying	£1,020m	£922m	10.6%
Reported	£958m	£913m	4.9%
<b>Basic earnings per share</b>			
Underlying	39.0p	35.7p	9.2%
Reported	36.4p	35.3p	3.1%
<b>Free cash flow</b>	<b>£693m</b>	<b>£744m</b>	<b>(6.9)%</b>
<b>Total Group including discontinued operations</b>			
Basic earnings per share	38.5p	36.0p	6.9%
Full year dividend per ordinary share	19.3p	17.5p	10.3%

(1) Constant currency restates the prior year results to 2011's average exchange rates.

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

(3) Underlying operating profit excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense – non-controlling 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 UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, share-based payments expense – non-controlling interest call option, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options and gain on remeasurement of joint venture interest on acquisition of control.

(6) Underlying basic earnings per share excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, share-based payments expense – non-controlling interest call option, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options, gain on remeasurement of joint venture interest on acquisition of control and the tax attributable to these amounts.

Business Review (continued)

Segmental Performance

	Revenue		Revenue Growth		
	2011 £m	2010 £m	Reported	Constant Currency	Organic
<b>Continuing operations</b>					
North America	6,849	6,369	7.5%	10.1%	7.4%
Continental Europe	3,717	3,506	6.0%	5.2%	0.9%
UK & Ireland	1,951	1,782	9.5%	9.5%	(0.1)%
Rest of the World	3,316	2,811	18.0%	11.7%	10.0%
<b>Total</b>	<b>15,833</b>	<b>14,468</b>	<b>9.4%</b>	<b>9.2%</b>	<b>5.4%</b>

	Operating Profit		Operating Margin	
	2011 £m	2010 £m	2011 %	2010 %

Continuing operations

North America	538	491	7.9%	7.7%
Continental Europe	259	248	7.0%	7.1%
UK & Ireland	114	114	5.8%	6.4%
Rest of the World	234	204	7.1%	7.3%
Unallocated overheads	(60)	(60)	-	-
Excluding associates	1,085	997	6.9%	6.9%
Associates	6	6		
Underlying	1,091	1,003	6.9%	6.9%
Amortisation of fair value intangibles	(12)	(7)		
Acquisition transaction costs	(9)	(5)		
Share-based payments expense – non-controlling interest call option	-	(2)		
Adjustment to contingent consideration on acquisition	1	-		
UK re-organisation	(55)	-		
<b>Total</b>	<b>1,016</b>	<b>989</b>		

(1) Constant currency restates the prior year results to 2011's average exchange rates.

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

(3) Underlying operating profit and margin excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense – non-controlling interest call option.

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

(5) Organic revenue 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.

## Business Review (continued)

### Revenue

Overall, organic revenue growth for the year was 5.4%, comprising new business of 8.8%, a retention rate of 94.2% and like for like growth of 2.4%. Acquisitions less disposals increased revenue by 3.8% and the weakening of Sterling, in particular against the Australian Dollar and Brazilian Real, increased reported revenues by 0.2%, resulting in reported revenue growth of 9.4%.

### Operating Profit

Underlying operating profit from continuing operations was £1,091 million (2010: £1,003 million), an increase of 8.8%. On a constant currency basis, underlying operating profit increased by £86 million (8.6%).

Operating profit, after the UK re-organisation costs of £55 million (2010: £nil), amortisation of intangibles arising on acquisition of £12 million (2010: £7 million), acquisition transaction costs of £9 million (2010: £5 million), adjustment to contingent consideration on acquisition of £1 million credit (2010: £nil) and share-based payments expense – non-controlling interest call option £nil (2010: £2 million), was £1,016 million (2010: £989 million).

### North America

43.3% Group revenue (2010: 44.0%)

Regional financial summary	2011	2010	Change
Revenue (reported)	<b>£6,849m</b>	£6,369m	7.5%
Operating profit (reported)	<b>£538m</b>	£491m	9.6%
Operating profit (constant currency)	<b>£538m</b>	£479m	12.6%
Operating margin	<b>7.9%</b>	7.7%	20bps

Our North American business has delivered an excellent performance. Revenues have grown by 7.4% on an organic basis and the ongoing efficiency initiatives have contributed to a full year operating margin improvement of 20 basis points.

The Business & Industry sector has delivered a solid result with good levels of net new business and a modest recovery in like for like trading against the lower comparatives of 2010. An increased focus on marketing and retail sales to drive participation, combined with tight cost management, has enabled the sector to deliver another year of increased operating profit. New contract wins include Blue Cross Blue Shield, a large insurance company.

In Healthcare, our support services offer, strengthened by recent acquisitions, has contributed to the delivery of good new business wins and excellent levels of retention. In addition to our appointment by Ascension Health, we have also been appointed to provide support services to The New York City Health and Hospitals Corporation, the largest municipal healthcare organisation in the USA, and the Memorial Hermann Healthcare System, the largest not-for-profit hospital system in Houston, Texas. We have also been appointed by the St. Francis Hospital and Medical Center in Connecticut to provide foodservices and retail operations.

Improved meal plan participation on campuses has driven increased like for like trading in the Education sector. We have recently won the foodservice contracts at several universities including Missouri State University, the state's second largest university, and The University of Massachusetts Dartmouth, one of five campuses of the University of Massachusetts, and we have commenced foodservice and retail operations at the long established University of Regina, in Saskatchewan, Canada.

In Levy, our Sports & Leisure business, retention rates remain excellent. The US Cellular Field, home of the Chicago White Sox Major League Baseball team, has recently renewed our contract to provide both premium food and beverage concessions. It has been a client of Levy's since 1982. We have achieved margin improvements despite pressure on like for like volumes. This has been driven by a keen focus on cost efficiencies combined with the ability to flex the cost base quickly. In August, we bought a 49% stake in AEG Facilities LLC from Anschutz Entertainment Group. AEG Facilities LLC manages numerous venues around the world, including arenas, theatres, stadia and convention centres. This acquisition brings together Compass' market leading foodservice business and AEG Facilities LLC's venue management skills, enabling Compass to deliver its services to more clients and consumers worldwide.

## Business Review (continued)

The integration of the Marquise Group, a support services provider in Canada acquired earlier in the year, is proceeding well.

### Continental Europe

23.5% Group revenue (2010: 24.2%)

Regional financial summary	2011	2010	Change
Revenue (reported)	<b>£3,717m</b>	£3,506m	6.0%
Operating profit (reported)	<b>£259m</b>	£248m	4.4%
Operating profit (constant currency)	<b>£259m</b>	£250m	3.6%
Operating margin	<b>7.0%</b>	7.1%	(10)bps

Economic conditions in parts of Continental Europe have remained quite challenging during the year. Whilst we have seen good levels of new business, like for like revenue trends have remained difficult. Overall, organic revenue growth of 0.9% is slightly ahead of last year. Management of the flexible cost base and ongoing efficiency gains have resulted in an underlying operating margin improvement of around 20 basis points, before the impact of circa £12 million of restructuring costs associated with acquisitions.

In the Norway ESS business we have won a new multi-service contract with Total E&P Norge AS, where we will provide services at the client's head office in Norway and, in the Czech Republic, we have recently renewed our important foodservice contract with Skoda Auto a.s., a part of VW Group. In Denmark, we have won a new foodservice contract with PARKEN VENUES A/S, Scandinavia's leading arena for major sporting and entertainment events for both hospitality and public sales. The venue has 700,000 spectators and 50,000 VIP guests annually. Additionally in Denmark, the successful integration of the recently acquired IDA Service A/S, a multi-service business, is providing both cross-selling opportunities and synergies.

We have continued to win good quality new business in France and investment in our retention process is starting to show improvements. A focus on driving cost efficiencies across all areas of MAP has moved the margin forward, against the background of flat like for like revenues.

In Germany, we have seen good levels of revenue growth despite challenging trading conditions. In the Business & Industry sector we have won an exciting new contract with Bosch Solar Energy AG where we will provide foodservices to the 2,000 employees on site, and we have extended our support services contract with Salzgitter AG to include foodservices.

Italy has once again delivered an encouraging margin improvement driven largely by growth in the support services business and the continuing reduction of our cost base. Significant new business wins include a contract to provide support services to the European Institute of Oncology in Milan and we have extended our foodservice business with Pfizer by being awarded their largest site in Italy, in Catania, as well as renewing our contract in Ascoli.

Encouragingly, Spain has delivered double digit growth in new business, despite the economic challenges. Although like for like volumes remain very difficult, margins are solid, benefiting from a much simplified management structure. Excellent contract wins in the year include Centro Medico Teknon, one of the leading private hospitals, where we have introduced a new exclusive concept to promote healthy eating, and the Jesuit Schools in Catalonia. We have also successfully widened our relationship with Residencias Ballesol, a leading senior living group in Spain, to provide foodservice at a further seven senior living homes. Retention rates have continued to improve with significant renewals such as Tele 5 and Sabadell Municipality Schools.

In Turkey, the acquisition of the remaining 50% share of SOFRA and the subsequent acquisition of Obasan, which was completed after the year end, have further strengthened our capabilities. The integration is progressing well and we have seen some exciting wins, including Vodafone and 24 Doga Schools, one of the most prestigious groups of private schools. Renewals include the extension of our multi-site security services contract with Metro Cash & Carry.

## Business Review (continued)

### UK & Ireland

12.3% Group revenue (2010: 12.3%)

Regional financial summary	2011	2010	Change
Revenue (reported)	<b>£1,951m</b>	£1,782m	9.5%
Operating profit (underlying)	<b>£114m</b>	£114m	0.0%
Operating profit (constant currency)	<b>£114m</b>	£114m	0.0%
Operating margin	<b>5.8%</b>	6.4%	(60)bps

Note: Underlying operating profit excludes the £55 million re-organisation cost charged in the year (2010: nil).

Despite challenging economic conditions continuing to impact like for like volumes in Business & Industry, we have continued to see some progressive improvement in organic revenue trends in the UK & Ireland business, from a 3.3% decline last year to broadly flat this year. The improvement is driven predominantly by a higher rate of retention where we have invested in both the process and the team. There remains an ongoing focus on costs, both to mitigate the impact of reduced volumes and to integrate the recent acquisitions.

In the Business & Industry sector we have continued to win and retain quality business in both food and support services. For example, we have won a contract to provide security services to Thomson Reuters and retained foodservice contracts with Citi and BNP Paribas, where we will now provide dining and hospitality as well as the staff restaurants. In response to pressure on like for like volumes, driving labour cost efficiencies has remained a focus.

We have seen good growth in the Healthcare sector, through like for like revenue growth and a focus on retention, although we continue to see pressure on costs as clients look for cost saving initiatives. Our support services capability has enabled us to retain our multi-service contracts with both West Hertfordshire Hospitals and Newham Gateway Surgical Centre. Our ability to flex the cost base and drive efficiencies, as well as offer a wider range of services, makes us well placed to work with clients as they look to take costs out.

We have continued to make progress in the Education sector, illustrated by the retention of key contracts with Westminster City Council to provide catering to 39 primary schools, West Sussex Schools and University College London, where we will be providing an innovative retail solution.

The picture in the Sports & Leisure sector remains mixed. The retail and hospitality business at major events has performed well with increased spend per head. However, conferences and events has experienced more pressure from deferral of activities, although there are now some signs of volume stabilisation. We have a continued focus on costs, particularly labour, to mitigate the impact on profit of any decline in like for like revenues.

With our ongoing desire to focus on our core activities we have decided to exit or run down a small number of non-core activities in the UK, including providing catering in hotels and mobile food units at sporting events. The overall loss of revenue will be around £70 million. We have taken a £55 million exceptional cost in the year, which is almost all non-cash, including goodwill of £20 million, other intangible write-offs of £10 million and asset write-downs of £15 million. Going forward, the UK business will be more focused.

### Rest of the World

20.9% Group revenue (2010: 19.5%)

Regional financial summary	2011	2010	Change
Revenue (reported)	<b>£3,316m</b>	£2,811m	18.0%
Operating profit (reported)	<b>£234m</b>	£204m	14.7%
Operating profit (constant currency)	<b>£234m</b>	£216m	8.3%
Operating margin	<b>7.1%</b>	7.3%	(20)bps

Our Rest of the World businesses have continued to deliver excellent organic revenue growth of 10.0%. The underlying margin has increased by around 20 basis points, before absorbing the £15 million impact of the Japanese earthquake. The reported operating margin decreased by 20 basis points to 7.1%.

## Business Review (continued)

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We are continuing to see good levels of new business wins across most countries in the region. For example, in China, we have recently been awarded the foodservice contracts with Dow Chemicals for their Shanghai operation, and with Tencent, one of China's largest internet service portal providers. In Colombia, we have won a new multi-service contract with Philip Morris International (Coltabaco) and we have also renewed our contract with one of the leading healthcare institutions in Colombia, the Clínica del Country. In India, we have been awarded a contract by Dell to provide foodservices at its location in Bangalore and in Argentina, we have renewed our contract at the Minera Alumbrera copper and gold mine, operated by Xstrata Copper.

Double digit organic revenue growth in Australia has been driven by strong levels of new business wins and like for like revenue growth, in particular in the remote site business. We have been awarded a new contract by BHP Billiton to manage and operate the Warrawandu village as part of the Jimblebar mine construction project in the Pilbara. In Education, we have won a contract to provide foodservices to Scotch College in Western Australia, a prestigious independent school. Further margin improvement has been delivered through management of labour scheduling and the supply chain.

In Japan, the tragic events of the earthquake and tsunami in March caused disruption to parts of the country's manufacturing base and like for like volumes in Business & Industry and Sports & Leisure have therefore been well below normal levels in the second half of the year. Our supply chain was significantly impacted and we have worked hard to reduce costs and hence mitigate the profit impact of the reduction in revenue, to around £15 million, which is below our initial estimates. It is likely to take a further 12 months to return to pre-earthquake run rates for the business.

In Brazil, excellent new business wins and a focus on retention have delivered double digit organic revenue growth. The pipeline continues to look strong. The acquisition of the support services specialist Clean Mall last year has contributed to new contract wins with Ericsson for support services where we already provided foodservices.

In South Africa, we have achieved encouraging levels of new business. We have recently been awarded new contract wins by the Stellenbosch Academy of Sport to provide multi-services at their professional rugby training complex and by Nokia Siemens Networks to provide foodservices at their Centurion building. In addition, we have renewed our foodservices contract with Nedbank, a client for 10 years, through demonstrating innovation and green initiatives.

Our UAE based business has seen good levels of new business and excellent retention rates to deliver double digit organic growth, with good growth in support services in the Business & Industry and Education sectors.

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

### Unallocated Overheads

Unallocated overheads for the year were £60 million (2010: £60 million), reflecting continued good controls over central costs as the business grows.

### Finance Costs

The underlying net finance cost was £71 million (2010: £81 million), including a £14 million (2010: £15 million) charge relating to the pension deficit. This reflects a lower average cost of borrowing compared to last year. At current exchange rates, we now expect the underlying net finance cost for 2012 to be around £85 million. This includes a £15 million charge relating to the pension deficit and around £15 million of short-term inefficiencies having raised \$1 billion (£625 million) of new monies in the US Private Placement market in September 2011, ahead of the scheduled repayment of £614 million of loans in May 2012. The £85 million excludes any additional financing cost relating to the £500 million share buy back.

### Other Gains and Losses

Other gains and losses include a £5 million cost (2010: £4 million credit) relating to hedge accounting ineffectiveness, a £2 million credit (2010: £1 million credit) impact of revaluing investments and non-controlling interest put options and £16 million (2010: £nil) gain on remeasurement of our existing joint venture interest in Turkey following acquisition of control.

## Business Review (continued)

### Profit Before Tax

Profit before tax from continuing operations was £958 million (2010: £913 million).

On an underlying basis, profit before tax from continuing operations increased by 11% to £1,020 million (2010: £922 million).

### Income Tax Expense

Income tax expense from continuing operations was £264 million (2010: £246 million).

On an underlying basis, the tax charge on continuing operations was £276 million (2010: £248 million), equivalent to an effective tax rate of 27% (2010: 27%). We now expect the tax rate to average out around the 26% level in the short to medium term, reflecting in part that there are a few corporate tax rates around the world that are decreasing.

### Discontinued Operations

The profit after tax from discontinued operations of £40 million (2010: £13 million) principally arose on the release of provisions now deemed surplus (including income tax provisions).

### Basic Earnings per Share

Basic earnings per share, including discontinued operations, were 38.5 pence (2010: 36.0 pence).

On an underlying basis, excluding discontinued operations, the basic earnings per share from continuing operations were 39.0 pence (2010: 35.7 pence).

	Attributable Profit		Basic Earnings per Share		
	2011 £m	2010 £m	2011 pence	2010 pence	Change %
Reported	<b>728</b>	675	<b>38.5</b>	36.0	7%
Discontinued operations	<b>(40)</b>	(13)	<b>(2.1)</b>	(0.7)	
Other adjustments	<b>50</b>	7	<b>2.6</b>	0.4	
Underlying	<b>738</b>	669	<b>39.0</b>	35.7	9%

### Dividends

It is proposed that a final dividend of 12.8 pence per share will be paid on 27 February 2012 to shareholders on the register on 27 January 2012. This will result in a total dividend for the year of 19.3 pence per share (2010: 17.5 pence per share), a year on year increase of 10.3%. The dividend is covered just over 2 times on an underlying earnings basis and 1.9 times on a free cash basis.

### Free Cash Flow

Free cash flow from continuing operations totalled £693 million (2010: £744 million).

Gross capital expenditure of £372 million (2010: £334 million), including amounts purchased by finance lease of £2 million (2010: £3 million) and capital creditors £nil (2010: £2 million), is equivalent to 2.3% of revenues (2010: 2.3% of revenues). We currently expect the ratio of gross capital expenditure for 2012 to be at a similar level. Proceeds from the sale of assets were £30 million and we expect these will be minimal in 2012.

Working capital continues to be well managed. At the end of 2010 we had the benefit of some cut-off timing differences, which accounted for an estimated £74 million of the free cash flow of £744 million. At the start of 2011, we have had a reversal of these cut-off timing differences. Over the last two years, we have delivered an inflow of £29 million in total. We believe that there remains further scope for improvement, averaging out over time at neutral to a small inflow.

## Business Review (continued)

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The cash tax rate for the year was 20% (2010: 22%), 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 26% level for the short to medium term.

The net interest outflow for the year was £55 million (2010: £72 million).

Free cash flow from discontinued operations was an outflow of £6 million (2010: £3 million inflow).

### Acquisition Payments

Spend on acquisitions in the year totalled £426 million. This includes £352 million on infill acquisitions (including £91 million on the remaining 50% of Sofra Yemek Üretim ve Hizmet Anouim Şirketi in Turkey, £57 million on Coffee Distribution Corp and BW HLS Holdings Inc. in the USA, £51 million on Elixir Nederland BV, £30 million on the business and assets of Marquise Facilities Corporation & MHC Services Corporation in Canada and £11 million on PPP Infrastructure Management Limited in the UK), £47 million on interests in associates (including a 49% share in AEG Facilities LLC in the USA), £18 million deferred consideration and other payments relating to previous acquisitions and £9 million of acquisition transaction costs.

Since the year end, we have committed a further £90 million to acquisitions, including the Obasan Gıda İnşaat Sanayi ve Ticaret Anonim Şirketi food business in the fast growing Turkish market and Integrated Cleaning Management Limited in the UK, a high quality cleaning business

### Disposals

There were no payments made in respect of businesses disposed of or discontinued in prior years (2010: £9 million), and £3 million (2010: £nil) tax on profits from sale of subsidiary companies and associated undertakings.

### Proceeds from Issue of Share Capital

The Group received cash of £31 million in the year (2010: £97 million) from the issue of shares following the exercise of employee share options.

### Return on Capital Employed

Return on capital employed was 19.9% (2010: 20.3%) based on continuing operations, excluding the Group's non-controlling partners' share of total operating profit, net of tax at 27% and using an average capital employed for the year of £3,979 million (2010: £3,591 million) calculated from the 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 2011 was £292 million (2010: £389 million). The total pensions charge for defined contribution schemes in the year was £58 million (2010: £54 million) and £35 million (2010: £37 million) for defined benefit schemes. Included in the defined benefit scheme costs was a £14 million charge to net finance cost (2010: £15 million).

During the year we completed the April 2010 actuarial valuation of the two UK pension schemes. We have also now merged the two schemes, simplifying the administration, and made a £50 million payment towards the combined April 2010 actuarial valuation deficit of £178 million. The Group currently pays approximately £25 million each year into the UK pension plan in excess of the income statement charge, in order to address the outstanding actuarial deficit.

## Business Review (continued)

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### 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 'Recognising and Mitigating Risk' on page 14.

### Shareholder Return

The market price of the Group's ordinary shares at the close of the financial year was 521.0 pence per share (2010: 530.5 pence per share).

### Related Party Transactions

Details of transactions with related parties are set out in Note 33. 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 £9,886 million as at 30 September 2011 was 8% (2010: 6%).

At the end of the year, net debt was £761 million (2010: £621 million).

At 30 September 2011, following a US\$1 billion private debt placement, the Group had cash reserves of £1,110 million. In addition, the Group had an undrawn bank facility of approximately £700 million, committed through to 2016.

Looking forward, £614 million of bonds and private placement debt is due to be repaid during the 2012 financial year and it is envisaged that these will be repaid from cash reserves. 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 15.2 times in 2011 and the EBITDA to net interest has increased from 8.2 times to 19.2 times in the same period. This is adjusted where necessary for covenant definitions and includes the 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 non-controlling interest put options. The Group remains committed to maintaining strong investment grade credit ratings. Following the £500 million share buy back announced today, we should retain our existing credit ratings (A- with Standard and Poors and Baa1 with Moody's) and an appropriate level of financial flexibility.

### 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 20 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

## Recognising and mitigating risk

### The identification of risks and opportunities is a core activity throughout the Group.

The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders.

As set out in the Corporate Governance section of the Annual Report, 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 Key Performance Indicators ('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 MAP, 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 management and the Board.

The Group also has formal procedures in place, with clearly designated levels of authority, for approving significant client contracts and capital investments as well as acquisitions. 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. These do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this Report may also have an adverse effect on the Group.

The Group faces a number of operational risks on an ongoing basis including supply chain; information technology and infrastructure; litigation; financial risk and tax risk, each of which were disclosed in last year's Annual Report. We recognise that these continue to be important to the business and they continue to be reviewed. This year, however, we have sought to focus our disclosures on those risks that are considered to be more significant to the Group.

<b>Health, safety and environment</b>		
<b>Risk: Health and safety</b>	<b>Risk: Food safety</b>	<b>Risk: Environment</b>
<b>Mitigation:</b> 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.	<b>Mitigation:</b> 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.	<b>Mitigation:</b> Every day, everywhere, we look to make a positive contribution to the health and wellbeing of our consumers, 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.
<b>Clients and consumers</b>		
<b>Risk: Client retention</b>	<b>Risk: Service delivery and compliance with contract terms and conditions</b>	<b>Risk: Changes in consumer preferences</b>
<b>Mitigation:</b> 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.	<b>Mitigation:</b> 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.	<b>Mitigation:</b> 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.
<b>Risk: Consolidation of food and support services</b>	<b>Risk: Bidding risk</b>	<b>Risk: Credit risk</b>
<b>Mitigation:</b> 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 a consistent world-class standard globally.	<b>Mitigation:</b> 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.	<b>Mitigation:</b> There is limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's client base.

Recognising and mitigating risk (continued)

<b>People</b>		
<b>Risk: People retention and motivation</b>	<b>Risk: Succession Planning</b>	
<b>Mitigation:</b> The recruitment and retention of skilled employees is a challenge faced by many industries. The Group has established training and development and performance management programmes which are designed to align rewards with our corporate objectives and to retain and motivate our best people.	<b>Mitigation:</b> The Group has continued to develop succession planning as part of the development programmes for our people. The Group has a well established employment engagement initiative, the most recent results of which are shown in our Corporate Responsibility statement in the Annual Report.	
<b>Economic risk</b>		
<b>Risk: Economy</b>	<b>Risk: Food cost inflation</b>	<b>Risk: Labour cost inflation</b>
<b>Mitigation:</b> Around 50% of our business, the Healthcare, Education and Defence, Offshore & Remote site sectors, is less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to economic conditions 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.	<b>Mitigation:</b> 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.	<b>Mitigation:</b> 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.
<b>Regulatory, political and competitive environment</b>		
<b>Risk: Political stability</b>	<b>Risk: Regulation</b>	<b>Risk: Competition</b>
<b>Mitigation:</b> We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability.	<b>Mitigation:</b> 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.	<b>Mitigation:</b> We operate 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.
<b>Acquisition and investments</b>		
<b>Risk: Acquisition and investment risk</b>	<b>Risk: Joint ventures</b>	
<b>Mitigation:</b> Capital investments and potential acquisitions are subject to appropriate levels of due diligence and approval. Post acquisition integration and performance is closely managed and subject to regular review.	<b>Mitigation:</b> 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.	
<b>Fraud and compliance</b>		
<b>Mitigation:</b> The Group's zero tolerance based Codes of Business Conduct and Ethics govern all aspects of our relationship with our stakeholders. All alleged breaches of the Codes are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.	<b>Reputation risk</b> <b>Mitigation:</b> 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 Codes of Business Conduct and Ethics are designed to safeguard the Company's assets, brands and reputation.	<b>Pensions risk</b> <b>Mitigation:</b> The Group's UK defined benefit pension schemes are closed to future accrual and 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 merge the UK defined benefit schemes and to reduce the investment risk in them. Further information is set out in note 23 of the consolidated financial statements.

Compass Group PLC  
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 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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  
23 November 2011

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; and
- 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.

Compass Group PLC  
Consolidated Financial Statements (continued)

**Consolidated income statement**

for the year ended 30 September 2011

	Notes	Before UK re- organisation 2011 £m	UK re- organisation 2011 £m	Total 2011 £m	Total 2010 £m
<b>Continuing operations</b>					
Revenue	1	15,833	-	15,833	14,468
Operating costs	2	(14,768)	(55)	(14,823)	(13,485)
<b>Operating profit</b>	1	<b>1,065</b>	<b>(55)</b>	<b>1,010</b>	983
Share of profit of associates	1, 13	6	-	6	6
<b>Total operating profit</b>	1	<b>1,071</b>	<b>(55)</b>	<b>1,016</b>	989
Finance income	4	4	-	4	5
Finance costs	4	(75)	-	(75)	(86)
Hedge accounting ineffectiveness	4	(5)	-	(5)	4
Change in the fair value of investments and non-controlling interest put options	4	2	-	2	1
Gain on remeasurement of joint venture interest on acquisition of control	5	16	-	16	-
<b>Profit before tax</b>		<b>1,013</b>	<b>(55)</b>	<b>958</b>	913
Income tax expense	6	(273)	9	(264)	(246)
<b>Profit for the year from continuing operations</b>	1	<b>740</b>	<b>(46)</b>	<b>694</b>	667
<b>Discontinued operations</b>					
<b>Profit for the year from discontinued operations</b>	7	<b>40</b>	-	<b>40</b>	13
<b>Continuing and discontinued operations</b>					
<b>Profit for the year</b>		<b>780</b>	<b>(46)</b>	<b>734</b>	680
<b>Attributable to</b>					
Equity shareholders of the Company		774	(46)	728	675
Non-controlling interests		6	-	6	5
<b>Profit for the year</b>		<b>780</b>	<b>(46)</b>	<b>734</b>	680

**Basic earnings per share (pence)**

From continuing operations	8			36.4p	35.3p
From discontinued operations	8			2.1p	0.7p
From continuing and discontinued operations	8			38.5p	36.0p

**Diluted earnings per share (pence)**

From continuing operations	8			36.1p	35.1p
From discontinued operations	8			2.1p	0.7p
From continuing and discontinued operations	8			38.2p	35.8p

**Analysis of operating profit**

for the year ended 30 September 2011

		Total 2011 £m	Total 2010 £m
<b>Continuing operations</b>			
Underlying operating profit before share of profits of associates		1,085	997
Share of profit of associates		6	6
Underlying operating profit <sup>(1)</sup>		1,091	1,003
Amortisation of intangibles arising on acquisition		(12)	(7)
Acquisition transaction costs		(9)	(5)
Adjustment to contingent consideration on acquisition		1	-
Share-based payments expense - non-controlling interest call option		-	(2)
Operating profit after costs relating to acquisitions and disposals before UK re-organisation		1,071	989
UK re-organisation	2	(55)	-
<b>Total operating profit</b>		<b>1,016</b>	989

(1) Underlying operating profit excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense - non-controlling interest call option.

Consolidated Financial Statements (continued)

**Consolidated statement of comprehensive income**

for the year ended 30 September 2011

	Notes	2011 £m	2010 £m
<b>Profit for the year</b>		<b>734</b>	680
<b>Other comprehensive income</b>			
Currency translation differences		6	34
Actuarial gains/(losses) on post-retirement employee benefits	23	17	(57)
Tax on items relating to the components of other comprehensive income	6	(8)	12
<b>Total other comprehensive income/(loss) for the period</b>		<b>15</b>	(11)
<b>Total comprehensive income for the period</b>		<b>749</b>	669
<b>Attributable to</b>			
Equity shareholders of the Company		743	664
Non-controlling interests		6	5
<b>Total comprehensive income for the period</b>		<b>749</b>	669

Compass Group PLC  
Consolidated Financial Statements (continued)

Consolidated statement of changes in equity

for the year ended 30 September 2011

	Attributable to equity shareholders of the Company						Non-controlling interests £m	Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m		
At 1 October 2010	189	317	44	(1)	4,521	(2,002)	5	3,073
Profit for the year	-	-	-	-	-	728	6	734
Other comprehensive income								
Currency translation differences	-	-	-	-	6	-	-	6
Actuarial gains/(losses) on post-retirement employee benefits	-	-	-	-	-	17	-	17
Tax on items relating to the components of other comprehensive income	-	-	-	-	(3)	(5)	-	(8)
Total other comprehensive income	-	-	-	-	3	12	-	15
Total comprehensive income for the year	-	-	-	-	3	740	6	749
Issue of shares (for cash)	1	30	-	-	-	-	-	31
Fair value of share-based payments	-	-	-	-	10	-	-	10
Tax on items taken directly to equity (note 6)	-	-	-	-	-	3	-	3
Release of LTIP award settled by issue of new shares	-	6	-	-	(6)	-	-	-
Transfer on exercise of put options	-	-	-	-	1	(1)	-	-
Other changes	-	-	-	-	-	-	3	3
	190	353	44	(1)	4,529	(1,260)	14	3,869
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(360)	-	(360)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
At 30 September 2011	190	353	44	(1)	4,529	(1,620)	8	3,503

	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 2010	145	4,170	7	200	(1)	4,521
Currency translation differences	-	-	-	6	-	6
Tax on items relating to the components of other comprehensive income	-	-	-	(3)	-	(3)
Total other comprehensive income	-	-	-	3	-	3
Total comprehensive income for the year	-	-	-	3	-	3
Fair value of share-based payments	10	-	-	-	-	10
Release of LTIP award settled by issue of new shares	(6)	-	-	-	-	(6)
Transfer on exercise of put options	-	-	-	-	1	1
At 30 September 2011	149	4,170	7	203	-	4,529

Own shares held by the Group represent 268,541 shares in Compass Group PLC (2010: 361,864 shares). 251,332 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 2011 was £1.3 million (2010: £1.9 million). The nominal value held at 30 September 2011 was £26,854 (2010: £36,186).

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 non-controlling partners requiring the Group to purchase those non-controlling interests.

Compass Group PLC  
Consolidated Financial Statements (continued)

	Attributable to equity shareholders of the Company							Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non- controlling interests £m	
At 1 October 2009	185	215	44	(2)	4,489	(2,395)	9	2,545
Profit for the year	-	-	-	-	-	675	5	680
Other comprehensive income								
Currency translation differences	-	-	-	-	34	-	-	34
Actuarial gains/(losses) on post-retirement employee benefits	-	-	-	-	-	(57)	-	(57)
Tax on items relating to the components of other comprehensive income	-	-	-	-	(6)	18	-	12
Total 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 6)	-	-	-	-	-	17	-	17
Share-based payments expense - non-controlling interest call option	-	-	-	-	-	2	-	2
Release of LTIP award settled by issue of new shares	-	9	-	-	(9)	-	-	-
Release of share bonus award settled in cash or existing shares purchased in the market	-	-	-	-	(1)	-	-	(1)
Transfer on exercise of put options	-	-	-	-	5	2	-	7
Buy-out of non-controlling interests	-	-	-	-	-	(6)	(5)	(11)
	189	317	44	(2)	4,521	(1,744)	9	3,334
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(258)	-	(258)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4)	(4)
(Increase)/decrease in own shares held for staff compensation schemes <sup>(1)</sup>	-	-	-	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.

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 2009	146	4,170	7	172	(6)
Currency translation differences	-	-	-	34	-	34
Tax on items relating to the components of other comprehensive income	-	-	-	(6)	-	(6)
Total other comprehensive income	-	-	-	28	-	28
Total comprehensive income for the year	-	-	-	28	-	28
Fair value of share-based payments	9	-	-	-	-	9
Release of LTIP award settled by issue of new shares	(9)	-	-	-	-	(9)
Release of share bonus award settled in cash or existing shares purchased in the market	(1)	-	-	-	-	(1)
Transfer on exercise of put options	-	-	-	-	5	5
At 30 September 2010	145	4,170	7	200	(1)	4,521

Compass Group PLC  
Consolidated Financial Statements (continued)

**Consolidated balance sheet**

as at 30 September 2011

	Notes	2011 £m	2010 £m
<b>Non-current assets</b>			
Goodwill	10	4,060	3,833
Other intangible assets	11	719	570
Property, plant and equipment	12	655	581
Interests in associates	13	79	32
Other investments	14	41	37
Trade and other receivables	16	77	72
Deferred tax assets*	6	240	296
Derivative financial instruments**	20	64	81
<b>Non-current assets</b>		<b>5,935</b>	<b>5,502</b>
<b>Current assets</b>			
Inventories	17	270	238
Trade and other receivables	16	2,030	1,830
Tax recoverable*		36	31
Cash and cash equivalents**	18	1,110	643
Derivative financial instruments**	20	29	10
<b>Current assets</b>		<b>3,475</b>	<b>2,752</b>
<b>Total assets</b>		<b>9,410</b>	<b>8,254</b>
<b>Current liabilities</b>			
Short-term borrowings**	19	(711)	(148)
Derivative financial instruments**	20	(3)	(5)
Provisions	22	(138)	(130)
Current tax liabilities*		(238)	(273)
Trade and other payables	21	(2,900)	(2,683)
<b>Current liabilities</b>		<b>(3,990)</b>	<b>(3,239)</b>
<b>Non-current liabilities</b>			
Long-term borrowings**	19	(1,247)	(1,200)
Derivative financial instruments**	20	(3)	(2)
Post-employment benefit obligations	23	(292)	(389)
Provisions	22	(301)	(302)
Deferred tax liabilities*	6	(35)	(15)
Trade and other payables	21	(39)	(34)
<b>Non-current liabilities</b>		<b>(1,917)</b>	<b>(1,942)</b>
<b>Total liabilities</b>		<b>(5,907)</b>	<b>(5,181)</b>
<b>Net assets</b>		<b>3,503</b>	<b>3,073</b>
<b>Equity</b>			
Share capital	24	190	189
Share premium account		353	317
Capital redemption reserve		44	44
Less: Own shares		(1)	(1)
Other reserves		4,529	4,521
Retained earnings		(1,620)	(2,002)
<b>Total equity shareholders' funds</b>		<b>3,495</b>	<b>3,068</b>
<b>Non-controlling interests</b>		<b>8</b>	<b>5</b>
<b>Total equity</b>		<b>3,503</b>	<b>3,073</b>

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

Approved by the Board of Directors on 23 November 2011 and signed on their behalf by

Richard J Cousins, Director

Andrew D Martin, Director

Compass Group PLC  
Consolidated Financial Statements (continued)

**Consolidated cash flow statement**

for the year ended 30 September 2011

	Notes	2011 £m	2010 £m
<b>Cash flow from operating activities</b>			
Cash generated from operations	27	1,298	1,330
One-off employer contributions to post-employment benefit obligations		(60)	-
Interest paid		(56)	(75)
Premium paid on options		(1)	-
Interest element of finance lease rentals		(2)	(2)
Tax received		24	24
Tax paid		(233)	(227)
Net cash from/(used in) operating activities of continuing operations		970	1,050
Net cash from/(used in) operating activities of discontinued operations	28	(6)	3
<b>Net cash from/(used in) operating activities</b>		<b>964</b>	<b>1,053</b>
<b>Cash flow from investing activities</b>			
Purchase of subsidiary companies and investments in associated undertakings <sup>(1)</sup>	26	(426)	(205)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities <sup>(1)</sup>	7	-	(9)
Tax on profits from sale of subsidiary companies and associated undertakings		(3)	-
Purchase of intangible assets	11	(126)	(122)
Purchase of property, plant and equipment		(244)	(207)
Proceeds from sale of property, plant and equipment/intangible assets		30	19
Purchase of other investments	14	(2)	(3)
Dividends received from associated undertakings	13	7	6
Interest received		4	5
Net cash from/(used in) investing activities by continuing operations		(760)	(516)
Net cash from/(used in) investing activities by discontinued operations	28	-	-
<b>Net cash from/(used in) investing activities</b>		<b>(760)</b>	<b>(516)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of ordinary share capital		31	97
Net increase/(decrease) in borrowings	29	610	(306)
Repayment of obligations under finance leases	29	(12)	(15)
Equity dividends paid	9	(360)	(258)
Dividends paid to non-controlling interests		(6)	(4)
Net cash from/(used in) financing activities by continuing operations		263	(486)
Net cash from/(used in) financing activities by discontinued operations	28	-	-
<b>Net cash from/(used in) financing activities</b>		<b>263</b>	<b>(486)</b>
<b>Cash and cash equivalents</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	29	<b>467</b>	<b>51</b>
Cash and cash equivalents at beginning of the year	29	643	588
Currency translation gains/(losses) on cash and cash equivalents	29	-	4
<b>Cash and cash equivalents at end of the year</b>	29	<b>1,110</b>	<b>643</b>

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

Compass Group PLC  
Consolidated Financial Statements (continued)

**Reconciliation of free cash flow from continuing operations**

for the year ended 30 September 2011

	2011 £m	2010 £m
<b>Net cash from operating activities of continuing operations</b>	<b>970</b>	1,050
One-off employer contributions to post-employment benefit obligations	<b>60</b>	-
Purchase of intangible assets	<b>(126)</b>	(122)
Purchase of property, plant and equipment	<b>(244)</b>	(207)
Proceeds from sale of property, plant and equipment/intangible assets	<b>30</b>	19
Purchase of other investments	<b>(2)</b>	(3)
Dividends received from associated undertakings	<b>7</b>	6
Interest received	<b>4</b>	5
Dividends paid to non-controlling interests	<b>(6)</b>	(4)
<b>Free cash flow from continuing operations</b>	<b>693</b>	744

Compass Group PLC  
Consolidated Financial Statements (continued)

Notes to the consolidated financial statements

for the year ended 30 September 2011

1 Segmental reporting

	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Intra- Group £m	
<b>Revenues</b>						
<b>Year ended 30 September 2011</b>						
External revenue	6,849	3,717	1,951	3,316	-	15,833
Less: Discontinued operations	-	-	-	-	-	-
<b>External revenue - continuing</b>	<b>6,849</b>	<b>3,717</b>	<b>1,951</b>	<b>3,316</b>	<b>-</b>	<b>15,833</b>
<b>Year ended 30 September 2010</b>						
External revenue	6,369	3,506	1,782	2,811	-	14,468
Less: Discontinued operations	-	-	-	-	-	-
<b>External revenue - continuing</b>	<b>6,369</b>	<b>3,506</b>	<b>1,782</b>	<b>2,811</b>	<b>-</b>	<b>14,468</b>

	Products and services: Sectors					Total £m
	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	
<b>Revenues</b>						
<b>Year ended 30 September 2011</b>						
External revenue	6,751	2,477	2,905	1,688	2,012	15,833
Less: Discontinued operations	-	-	-	-	-	-
<b>External revenue - continuing</b>	<b>6,751</b>	<b>2,477</b>	<b>2,905</b>	<b>1,688</b>	<b>2,012</b>	<b>15,833</b>
<b>Year ended 30 September 2010</b>						
External revenue	5,949	2,308	2,739	1,639	1,833	14,468
Less: Discontinued operations	-	-	-	-	-	-
<b>External revenue - continuing</b>	<b>5,949</b>	<b>2,308</b>	<b>2,739</b>	<b>1,639</b>	<b>1,833</b>	<b>14,468</b>

(1) There is no inter-segmental trading.

(2) Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £1,873 million (2010:£1,709 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £13,960 million (2010:£12,759 million).

Compass Group PLC  
Consolidated Financial Statements (continued)

	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	
<b>Result</b>						
<b>Year ended 30 September 2011</b>						
Operating profit before associates, UK re-organisation and costs relating to acquisitions	538	259	114	234	(60)	1,085
UK re-organisation	-	-	(55)	-	-	(55)
Total operating profit before associates and costs relating to acquisitions	538	259	59	234	(60)	1,030
Less: Discontinued operations	-	-	-	-	-	-
<b>Operating profit before associates and costs relating to acquisitions</b>	<b>538</b>	<b>259</b>	<b>59</b>	<b>234</b>	<b>(60)</b>	<b>1,030</b>
Less: Amortisation of intangibles arising on acquisition	(3)	(2)	(2)	(4)	(1)	(12)
Less: Acquisition transaction costs	(1)	(3)	(2)	(2)	(1)	(9)
Less: Share-based payments expense - non-controlling interest call option	-	-	-	-	-	-
Add: Adjustment to contingent consideration on acquisition	1	-	-	-	-	1
<b>Operating profit before associates - continuing</b>	<b>535</b>	<b>254</b>	<b>55</b>	<b>228</b>	<b>(62)</b>	<b>1,010</b>
Add: Share of profit of associates	3	-	3	-	-	6
<b>Total operating profit - continuing</b>	<b>538</b>	<b>254</b>	<b>58</b>	<b>228</b>	<b>(62)</b>	<b>1,016</b>
Finance income						4
Finance costs						(75)
Hedge accounting ineffectiveness						(5)
Change in the fair value of investments and non-controlling interest put options						2
Gain on remeasurement of joint venture interest on acquisition of control						16
<b>Profit before tax</b>						<b>958</b>
Income tax expense						(264)
<b>Profit for the year from continuing operations</b>						<b>694</b>
<b>Year ended 30 September 2010</b>						
Operating profit before associates, UK re-organisation and costs relating to acquisitions	491	248	114	204	(60)	997
UK re-organisation	-	-	-	-	-	-
Total operating profit before associates and costs relating to acquisitions	491	248	114	204	(60)	997
Less: Discontinued operations	-	-	-	-	-	-
<b>Operating profit before associates and costs relating to acquisitions</b>	<b>491</b>	<b>248</b>	<b>114</b>	<b>204</b>	<b>(60)</b>	<b>997</b>
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 - non-controlling interest call option	-	-	-	(2)	-	(2)
Add: Adjustment to contingent consideration on acquisition	-	-	-	-	-	-
<b>Operating profit before associates - continuing</b>	<b>489</b>	<b>246</b>	<b>112</b>	<b>198</b>	<b>(62)</b>	<b>983</b>
Add: Share of profit of associates	4	-	2	-	-	6
<b>Total operating profit - continuing</b>	<b>493</b>	<b>246</b>	<b>114</b>	<b>198</b>	<b>(62)</b>	<b>989</b>
Finance income						5
Finance costs						(86)
Hedge accounting ineffectiveness						4
Change in the fair value of investments and non-controlling interest put options						1
Gain on remeasurement of joint venture interest on acquisition of control						-
<b>Profit before tax</b>						<b>913</b>
Income tax expense						(246)
<b>Profit for the year from continuing operations</b>						<b>667</b>

Compass Group PLC  
Consolidated Financial Statements (continued)

2 Operating costs

	Before UK re-	UK re-	Total 2011 £m	Total 2010 £m
	organisation 2011 £m	organisation 2011 £m		
<b>Operating costs</b>				
<i>Cost of food and materials:</i>				
Cost of inventories consumed	5,013	-	5,013	4,654
<i>Labour costs:</i>				
Employee remuneration (note 3)	7,146	6	7,152	6,444
<i>Overheads:</i>				
Depreciation - owned property, plant and equipment	152	7	159	138
Depreciation - leased property, plant and equipment	8	-	8	10
Amortisation - owned intangible assets	94	15	109	90
Property lease rentals	82	3	85	74
Other occupancy rentals - minimum guaranteed rent	65	-	65	57
Other occupancy rentals - rent in excess of minimum guaranteed rent	15	-	15	16
Other asset rentals	72	-	72	81
Audit and non-audit services	7	-	7	5
Other expenses	2,094	24	2,118	1,902
Operating costs before costs relating to acquisitions	14,748	55	14,803	13,471
Amortisation - intangible assets arising on acquisition	12	-	12	7
Acquisition transaction costs	9	-	9	5
Adjustment to contingent consideration on acquisition	(1)	-	(1)	-
Share-based payments expense - non-controlling interest call option	-	-	-	2
<b>Total continuing operations</b>	<b>14,768</b>	<b>55</b>	<b>14,823</b>	<b>13,485</b>

(1) Impairment of goodwill recorded in income statement included in UK re-organisation £5 million (2010: £nil).

(2) With our on-going desire to focus on our core activities we have decided to exit or run down a small number of non-core activities in the UK, including providing catering in hotels and mobile food units at sporting events. The overall loss of revenue will be around £70 million. We have taken a £55 million exceptional cost, which is almost all non-cash. This includes goodwill of £20 million shown as impairment of £5 million and disposal of £15 million (included within other expenses).

3 Employees

	2011 Number	2010 Number
<b>Average number of employees, including Directors and part-time employees</b>		
North America	189,302	174,734
Continental Europe	98,505	86,633
UK & Ireland	62,967	59,380
Rest of the World	120,334	107,455
Total continuing operations	471,108	428,202
Discontinued operations	-	-
<b>Total continuing and discontinued operations</b>	<b>471,108</b>	<b>428,202</b>

	2011 £m	2010 £m
<b>Aggregate remuneration of all employees including Directors</b>		
Wages and salaries	5,920	5,345
Social security costs	1,143	1,014
Share-based payments	10	9
Pension costs - defined contribution plans	58	54
Pension costs - defined benefit plans	21	22
Total continuing operations	7,152	6,444
Discontinued operations	-	-
<b>Total continuing and discontinued operations</b>	<b>7,152</b>	<b>6,444</b>

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge within finance costs of £14 million (2010: net charge of £15 million).

Compass Group PLC  
Consolidated Financial Statements (continued)

4 Financing income, costs and related gains/losses

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

	2011 £m	2010 £m
<b>Finance income and costs</b>		
<b>Finance income</b>		
Bank interest	4	5
<b>Total finance income</b>	<b>4</b>	<b>5</b>
<b>Finance costs</b>		
Interest on bank loans and overdrafts	7	4
Interest on other loans	51	64
Finance lease interest	2	2
Interest on bank loans, overdrafts, other loans and finance leases	60	70
Unwinding of discount on provisions	1	1
Amount charged to pension scheme liabilities net of expected return on scheme assets (note 23)	14	15
<b>Total finance costs</b>	<b>75</b>	<b>86</b>
<b>Analysis of finance costs by defined IAS 39<sup>(1)</sup> category</b>		
Fair value through profit or loss (unhedged derivatives)	1	10
Derivatives in a fair value hedge relationship	(31)	(36)
Derivatives in a net investment hedge relationship	5	4
Other financial liabilities	85	92
Interest on bank loans, overdrafts, other loans and finance leases	60	70
Fair value through profit or loss (unwinding of discount on provisions)	1	1
Outside of the scope of IAS 39 (net pension scheme charge)	14	15
<b>Total finance costs</b>	<b>75</b>	<b>86</b>

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

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

The Group had a small number of outstanding put options which have now matured. This enabled certain non-controlling shareholders to require the Group to purchase the non-controlling 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.

	2011 £m	2010 £m
<b>Financing related (gains)/losses</b>		
<b>Hedge accounting ineffectiveness</b>		
Unrealised net (gains)/losses on unhedged derivative financial instruments <sup>(1)</sup>	2	(2)
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge <sup>(2)</sup>	4	(10)
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	(1)	8
<b>Total hedge accounting ineffectiveness (gains)/losses</b>	<b>5</b>	<b>(4)</b>
<b>Change in the fair value of investments and non-controlling interest put options</b>		
Change in the fair value of investments <sup>(1), (3)</sup>	-	(1)
Change in the fair value of non-controlling interest put options (credit)/charge <sup>(1)</sup>	(2)	-
<b>Total</b>	<b>(2)</b>	<b>(1)</b>

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

(2) Categorised 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 23.

Compass Group PLC  
Consolidated Financial Statements (continued)

5 Gain on remeasurement of joint venture interest on acquisition of control

The Group acquired the remaining 50% equity interest in Sofra Yemek Üretim Ve Hizmet AS ('SOFRA') in Turkey from our joint venture partner during the year. Under International Financial Reporting Standard 3, 'Business Combinations' (revised 2008), the interest previously held by the Group has been remeasured to its fair value at the acquisition date. This has resulted in a gain of £16 million arising on the revaluation of our existing interest which has been recorded on a separate line in the income statement.

IFRS 3 (2008) requires that the interest should be treated on the same basis as would be required if the acquirer had disposed directly of the previously held interest and then reacquired it at fair value. Prior to the acquisition, the interest in SOFRA was proportionally consolidated as explained in section D of the Group's accounting policies. The Group has shown the disposal of previously held interest and re-acquisition within note 26 to the financial statements.

6 Tax

Recognised in the income statement: Income tax expense on continuing operations	Before UK re- organisation	UK re- organisation	2011	2010
	2011	2011	2011	2010
	£m	£m	£m	£m
<b>Current tax</b>				
Current year	272	(3)	269	229
Adjustment in respect of prior years	(47)	-	(47)	(14)
Current tax expense/(credit)	225	(3)	222	215
<b>Deferred tax</b>				
Current year	28	(6)	22	37
Impact of changes in statutory tax rates	4	-	4	3
Adjustment in respect of prior years	16	-	16	(9)
Deferred tax expense/(credit)	48	(6)	42	31
<b>Total income tax</b>				
Income tax expense/(credit) on continuing operations	273	(9)	264	246

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 27% (2010: 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 26% from 1 April 2011 and 25% from 1 April 2012. These changes have resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

Reconciliation of the income tax expense on continuing operations	Before UK re- organisation	UK re- organisation	2011	2010
	2011	2011	2011	2010
	£m	£m	£m	£m
Profit before tax from continuing operations	1,013	(55)	958	913
Notional income tax expense at the effective UK statutory rate of 27% (2010: 28%) on profit before tax	274	(15)	259	256
Effect of different tax rates of subsidiaries operating in other jurisdictions	58	-	58	50
Impact of changes in statutory tax rates	4	-	4	3
Permanent differences	(28)	6	(22)	(17)
Impact of share-based payments	3	-	3	-
Tax on profit of associates	(1)	-	(1)	(1)
Losses and other temporary differences not previously recognised	(11)	-	(11)	(24)
Unrelieved current year tax losses	5	-	5	2
Prior year items	(31)	-	(31)	(23)
Income tax expense on continuing operations	273	(9)	264	246

Tax (charged)/credited to other comprehensive income	2011	2010
	£m	£m
Current and deferred tax (charges)/credits on actuarial and other movements on post-employment benefits	(5)	18
Current and deferred tax charges on foreign exchange movements	(3)	(6)
Tax (charge)/credit on items recognised in other comprehensive income	(8)	12

Tax credited to equity	2011	2010
	£m	£m
Current and deferred tax credits in respect of share-based payments	3	17
Tax credit on items recognised in equity	3	17

Compass Group PLC  
Consolidated Financial Statements (continued)

	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
<b>Movement in net deferred tax asset/(liability)</b>							
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
At 1 October 2010	28	(119)	150	12	55	155	281
(Charge)/credit to income	(18)	(20)	4	5	(1)	(14)	(44)
(Charge)/credit to equity/other comprehensive income	(1)	(1)	(15)	-	-	(3)	(20)
Transfer from/(to) current tax	-	-	-	-	-	-	-
Business acquisitions	-	(17)	1	-	-	-	(16)
Business disposals	-	-	-	-	-	-	-
Other movements	-	(4)	3	1	-	1	1
Exchange adjustment	-	-	2	-	1	-	3
At 30 September 2011	9	(161)	145	18	55	139	205

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:

	2011 £m	2010 £m
<b>Net deferred tax balance</b>		
Deferred tax assets	240	296
Deferred tax liabilities	(35)	(15)
Net deferred tax asset/(liability)	205	281

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £37 million (2010: £94 million). Of the total, tax losses of £16 million will expire at various dates between 2011 and 2021. 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 £289 million (2010: £128 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.

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7 Discontinued operations

Year ended 30 September 2011

The profit for the year from discontinued operations of £40 million arose on the release of provisions now deemed surplus (including income tax provisions) and a £2 million VAT refund relating to prior period disposals.

Year ended 30 September 2010

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

	2011 £m	2010 £m
<b>Financial performance of discontinued operations</b>		
<b>Trading activities of discontinued operations</b>		
External revenue	-	-
Operating refund/(costs)	2	(1)
Profit/(loss) before tax	2	(1)
Income tax (expense)/credit	-	-
Profit/(loss) after tax	2	(1)
<b>Disposal of net assets and other adjustments relating to discontinued operations</b>		
Profit on disposal of net assets of discontinued operations	-	-
Release of surplus provisions and accruals related to discontinued operations <sup>(2)</sup>	5	16
Profit before tax	5	16
Income tax credit/(expense) (see below)	33	(2)
Total profit after tax	38	14
<b>Profit for the year from discontinued operations</b>		
Profit/(loss) for the year from discontinued operations	40	13

(1) The trading activity in the years ended 30 September 2010 and 30 September 2011 relates to the final run-off activity in business as earmarked for closure.

(2) Released surplus provisions of £5 million in the year ended 30 September 2011 (2010: £16 million).

	2011 £m	2010 £m
<b>Income tax from discontinued operations</b>		
<b>Income tax on disposal of net assets and other adjustments relating to discontinued operations</b>		
Current tax	35	-
Deferred tax	(2)	(2)
Income tax credit/(expense) on disposal of net assets of discontinued operations	33	(2)

	2011 £m	2010 £m
<b>Net assets disposed and disposal proceeds</b>		
Increase/(decrease) in retained liabilities <sup>(1), (2)</sup>	-	(23)
Profit/(loss) on disposal before tax	-	16
Consideration, net of costs	-	(7)
Consideration deferred to future periods	-	(2)
Cash disposed of	-	-
Cash inflow/(outflow) from current year disposals	-	(9)
Deferred consideration and other payments relating to previous disposals	-	-
Cash inflow/(outflow) from disposals	-	(9)

(1) The trading activity in the years ended 30 September 2010 and 30 September 2011 relates to the final run-off activity in business as earmarked for closure.

(2) Includes the utilisation of disposal provisions of £nil in the year ended 30 September 2011 (2010: £23 million).

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8 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 UK re-organisation, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, share-based payments expense - non-controlling interest call option, hedge accounting ineffectiveness, and the change in the fair value of investments and non-controlling interest put options, gain on remeasurement of joint venture interest on acquisition of control and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

	2011 Attributable profit £m	2010 Attributable profit £m
<b>Attributable profit</b>		
Profit for the year attributable to equity shareholders of the Company	728	675
Less: Profit for the year from discontinued operations	(40)	(13)
Attributable profit for the year from continuing operations	688	662
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	8	5
Add back: Acquisition transaction costs (net of tax)	8	4
Less: Adjustment to contingent consideration on acquisition (net of tax)	(1)	-
Add back: Share-based payments expense - non-controlling interest call option (net of tax)	-	2
Add back: Loss/(profit) from hedge accounting ineffectiveness (net of tax)	4	(3)
Less: Change in the fair value of investments and non-controlling interest put options (net of tax)	(2)	(1)
Add back: UK re-organisation (net of tax)	46	-
Less: Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	(13)	-
Underlying attributable profit for the year from continuing operations	738	669

	2011 Ordinary shares of 10 p each millions	2010 Ordinary shares of 10p each millions
<b>Average number of shares (millions of ordinary shares of 10p each)</b>		
Average number of shares for basic earnings per share	1,892	1,873
Dilutive share options	13	15
Average number of shares for diluted earnings per share	1,905	1,888

	2011 Earnings per share pence	2010 Earnings per share pence
<b>Basic earnings per share (pence)</b>		
From continuing and discontinued operations	38.5	36.0
From discontinued operations	(2.1)	(0.7)
From continuing operations	36.4	35.3
Amortisation of intangible assets arising on acquisition (net of tax)	0.4	0.3
Acquisition transaction costs (net of tax)	0.4	0.2
Adjustment to contingent consideration on acquisition (net of tax)	-	-
Share-based payments expense - non-controlling interest call option (net of tax)	-	0.1
Hedge accounting ineffectiveness (net of tax)	0.2	(0.2)
Change in the fair value of investments and non-controlling interest put options (net of tax)	(0.1)	-
UK re-organisation (net of tax)	2.4	-
Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	(0.7)	-
From underlying continuing operations	39.0	35.7

<b>Diluted earnings per share (pence)</b>		
From continuing and discontinued operations	38.2	35.8
From discontinued operations	(2.1)	(0.7)
From continuing operations	36.1	35.1
Amortisation of intangible assets arising on acquisition (net of tax)	0.4	0.3
Acquisition transaction costs (net of tax)	0.4	0.2
Adjustment to contingent consideration on acquisition (net of tax)	-	-
Share-based payments expense - non-controlling interest call option (net of tax)	-	0.1
Hedge accounting ineffectiveness (net of tax)	0.2	(0.2)
Change in the fair value of investments and non-controlling interest put options (net of tax)	(0.1)	(0.1)
UK re-organisation (net of tax)	2.4	-
Gain on remeasurement of joint venture interest on acquisition of control (net of tax)	(0.7)	-
From underlying continuing operations	38.7	35.4

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9 Dividends

A final dividend in respect of 2011 of 12.8 pence per share, £243 million in aggregate<sup>(1)</sup>, has been proposed, giving a total dividend in respect of 2011 of 19.3 pence per share (2010: 17.5 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 2 February 2012 and has not been included as a liability in these financial statements.

	2011		2010	
	Dividends per share pence	£m	Dividends per share pence	£m
<b>Dividends on ordinary shares of 10p each</b>				
<i>Amounts recognised as distributions to equity shareholders during the year:</i>				
Final dividend for the prior year	<b>12.5p</b>	<b>236</b>	8.8p	164
Interim dividend for the current year	<b>6.5p</b>	<b>124</b>	5.0p	94
<b>Total dividends</b>	<b>19.0p</b>	<b>360</b>	13.8p	258

(1) Based on the number of shares in issue at 30 September 2011 (1,898 million shares)

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10 Goodwill

During the year the Group made a number of acquisitions. See note 26 for more details.

Goodwill	£m
<b>Cost</b>	
At 1 October 2009	3,687
Additions	217
Business disposals - other activities	-
Currency adjustment	36
At 30 September 2010	3,940
At 1 October 2010	3,940
Additions	234
Business disposals - other activities	(17)
Currency adjustment	15
At 30 September 2011	4,172
<b>Impairment</b>	
At 1 October 2009	107
Impairment charge recognised in the year	-
At 30 September 2010	107
At 1 October 2010	107
Impairment charge recognised in the year	5
At 30 September 2011	112
<b>Net book value</b>	
At 30 September 2010	3,833
At 30 September 2011	4,060

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	2011 £m	2010 £m
USA	1,248	1,191
Rest of North America	152	131
Total North America	1,400	1,322
Continental Europe	395	272
UK & Ireland	1,783	1,792
Rest of the World	482	447
Total	4,060	3,833

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.

	2011		2010	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	2.5%	9.3%	2.5%	10.2%
Rest of North America	2.5%	8.5%	2.5%	9.4%
Continental Europe	2.5 - 5.3%	6.6 - 13.4%	2.5 - 6.0%	7.7 - 15.9%
UK & Ireland	3.4%	9.4%	3.0%	10.3%
Rest of the World	0.8 - 5.9%	8.0 - 14.5%	2.5 - 6.5%	8.1 - 16.4%

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 reasonably possible by management. For the UK, to which goodwill of £1,778 million is allocated, an increase in the discount rate of 0.7% or a decrease in the long-term growth rate of 0.8% would eliminate the headroom of approximately £280 million under each scenario. There are no other CGUs that are sensitive to reasonably possible changes in key assumptions.

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11 Other intangible assets

Other intangible assets	Computer software £m	Contract and other intangibles		Total £m
		Arising on acquisition £m	Other £m	
<b>Cost</b>				
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
At 1 October 2010	240	127	650	1,017
Additions	19	-	107	126
Disposals	(24)	(19)	(57)	(100)
Business acquisitions	4	168	-	172
Reclassified	4	-	(4)	-
Currency adjustment	1	(5)	4	-
At 30 September 2011	244	271	700	1,215
<b>Amortisation</b>				
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
At 1 October 2010	152	16	279	447
Charge for the year	31	12	78	121
Disposals	(19)	-	(49)	(68)
Business acquisitions	-	-	-	-
Reclassified	-	-	(5)	(5)
Currency adjustment	1	(1)	1	1
At 30 September 2011	165	27	304	496
<b>Net book value</b>				
At 30 September 2010	88	111	371	570
At 30 September 2011	79	244	396	719

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.

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12 Property, plant and equipment

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>Cost</b>				
At 1 October 2009	274	743	486	1,503
Additions <sup>(1)</sup>	25	124	63	212
Disposals	(10)	(58)	(31)	(99)
Business acquisitions	6	13	2	21
Reclassified	(40)	47	(46)	(39)
Currency adjustment	6	2	2	10
At 30 September 2010	261	871	476	1,608
At 1 October 2010	261	871	476	1,608
Additions <sup>(1)</sup>	26	143	77	246
Disposals	(8)	(64)	(56)	(128)
Business acquisitions	6	15	6	27
Reclassified	-	(12)	9	(3)
Currency adjustment	5	(3)	(2)	-
At 30 September 2011	290	950	510	1,750
<b>Depreciation</b>				
At 1 October 2009	162	487	324	973
Charge for the year	13	84	51	148
Disposals	(9)	(48)	(26)	(83)
Reclassified	(27)	37	(27)	(17)
Currency adjustment	4	1	1	6
At 30 September 2010	143	561	323	1,027
At 1 October 2010	143	561	323	1,027
Charge for the year	17	96	54	167
Disposals	(6)	(53)	(46)	(105)
Reclassified	-	(1)	4	3
Currency adjustment	4	(1)	-	3
At 30 September 2011	158	602	335	1,095
<b>Net book value</b>				
At 30 September 2010	118	310	153	581
At 30 September 2011	132	348	175	655

(1) Includes leased assets of £2 million (2010: £3 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 2010	9	20	2	31
At 30 September 2011	8	15	2	25

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13 Interests in associates

	Country of incorporation	2011 % ownership	2010 % ownership
Twickenham Experience Ltd	England & Wales	40%	40%
Oval Events Limited	England & Wales	25%	25%
AEG Facilities, LLC	USA	49%	-
Thompson Hospitality Services LLC	USA	49%	49%

Interests in associates

	2011 £m	2010 £m
<b>Net book value</b>		
At 1 October	32	32
Additions	47	-
Share of profits less losses (net of tax)	6	6
Dividends received	(7)	(6)
Currency and other adjustments	1	-
<b>At 30 September</b>	<b>79</b>	<b>32</b>

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

Associates

	2011 £m	2010 £m
<b>Share of revenue and profits</b>		
Revenue	40	28
Expenses/taxation <sup>(1)</sup>	(34)	(22)
<b>Profit after tax for the year</b>	<b>6</b>	<b>6</b>
<b>Share of net assets</b>		
Goodwill	24	23
Other	55	9
<b>Net assets</b>	<b>79</b>	<b>32</b>
<b>Share of contingent liabilities</b>		
Contingent liabilities	(6)	-

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

14 Other investments

	2011 £m	2010 £m
<b>Net book value</b>		
At 1 October	37	32
Additions	2	3
Disposals	-	-
Business acquisitions	1	1
Currency and other adjustments	1	1
<b>At 30 September</b>	<b>41</b>	<b>37</b>
<b>Comprised of</b>		
Investment in Au Bon Pain <sup>(1), (3)</sup>	8	7
Other investments <sup>(1), (3)</sup>	9	9
Life insurance policies <sup>(1), (2), (3)</sup>	24	21
<b>Total</b>	<b>41</b>	<b>37</b>

(1) Categorised 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 as set out in note 23.

(3) As per the fair value hierarchies explained in Note 20, the investment in Au Bon Pain is level 3, other investments are level 1 and the life insurance policies are level 2.

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15 Joint ventures

Principal joint ventures

	Country of incorporation	2011 % ownership	2010 %ownership
Quadrant Catering Ltd	England & Wales	49%	49%
Sofra Yemek Üretim Ve Hizmet AS <sup>(1)</sup>	Turkey	-	50%
ADNH-Compass Middle East LLC	United Arab Emirates	50%	50%
Express Support Services Limitada	Angola	50%	50%

(1) During the year the Group acquired the remaining 50.01% of Sofra Yemek Üretim Ve Hizmet AS.

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 is as follows:

	2011 £m	2010 £m
<b>Joint ventures</b>		
<b>Share of revenue and profits</b>		
Revenue	292	291
Expenses	(266)	(264)
Profit after tax for the year	26	27
<b>Share of net assets</b>		
Non-current assets	6	18
Current assets	87	103
Non-current liabilities	(6)	(15)
Current liabilities	(53)	(72)
Net assets	34	34
<b>Share of contingent liabilities</b>		
Contingent liabilities	23	22

(1) The remaining share of Sofra Yemek Üretim Ve Hizmet AS was acquired during the year. Last year's comparatives have not been restated.

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16 Trade and other receivables

	2011			2010		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Trade and other receivables</b>						
<b>Net book value</b>						
At 1 October	1,830	72	1,902	1,680	64	1,744
Net movement	212	6	218	141	6	147
Currency adjustment	(12)	(1)	(13)	9	2	11
At 30 September	2,030	77	2,107	1,830	72	1,902
<b>Comprised of</b>						
Trade receivables	1,807	5	1,812	1,643	5	1,648
Less: Provision for impairment of trade receivables	(74)	(1)	(75)	(78)	(1)	(79)
Net trade receivables <sup>(1)</sup>	1,733	4	1,737	1,565	4	1,569
Other receivables	75	61	136	70	41	111
Less: Provision for impairment of other receivables	(8)	-	(8)	(8)	-	(8)
Net other receivables	67	61	128	62	41	103
Accrued income	132	-	132	109	-	109
Prepayments	98	12	110	90	27	117
Amounts owed by associates <sup>(1)</sup>	-	-	-	4	-	4
Trade and other receivables	2,030	77	2,107	1,830	72	1,902

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

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

Trade receivable days for the continuing business at 30 September 2011 were 48 days (2010: 48 days).

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

	2011					Total £m
	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	
<b>Trade receivables</b>						
Gross trade receivables	1,387	312	52	23	38	1,812
Less: Provision for impairment of trade receivables	(2)	(7)	(34)	(12)	(20)	(75)
Net trade receivables	1,385	305	18	11	18	1,737
	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	
<b>Trade receivables</b>						
Gross trade receivables	1,291	282	35	18	22	1,648
Less: Provision for impairment of trade receivables	(8)	(15)	(26)	(13)	(17)	(79)
Net trade receivables	1,283	267	9	5	5	1,569

(1) The ageing of the provision for impairment of trade receivables has been restated following an analysis of all government aged debt.

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

Provision for impairment of trade and other receivables	2011			2010		
	Trade £m	Other £m	Total £m	Trade £m	Other £m	Total £m
At 1 October	79	8	87	66	8	74
Charged to income statement	18	1	19	27	-	27
Credited to income statement	(7)	-	(7)	(3)	-	(3)
Utilised	(14)	-	(14)	(11)	-	(11)
Reclassified	(1)	(1)	(2)	-	-	-
Currency adjustment	-	-	-	-	-	-
At 30 September	75	8	83	79	8	87

At 30 September 2011, trade receivables of £352 million (2010: £286 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all amounts not provided for are considered to be recoverable.

17 Inventories

Inventories	2011 £m	2010 £m
<b>Net book value</b>		
At 1 October	238	230
Net movement	32	5
Currency adjustment	-	3
At 30 September	270	238

18 Cash and cash equivalents

Cash and cash equivalents	2011 £m	2010 £m
Cash at bank and in hand	224	193
Short-term bank deposits	886	450
Cash and cash equivalents <sup>(1)</sup>	1,110	643

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

Cash and cash equivalents by currency	2011 £m	2010 £m
Sterling	846	462
US Dollar	64	25
Euro	54	43
Japanese Yen	10	6
Other	136	107
Cash and cash equivalents	1,110	643

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 20. The book value of cash and cash equivalents represents the maximum credit exposure.

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19 Short-term and long-term borrowings

	2011			2010		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Short-term and long-term borrowings</b>						
Bank overdrafts	45	-	45	39	-	39
Bank loans	29	54	83	21	11	32
Loan notes	294	889	1,183	77	521	598
Bonds	334	280	614	-	637	637
Borrowings (excluding finance leases)	702	1,223	1,925	137	1,169	1,306
Finance leases	9	24	33	11	31	42
Borrowings (including finance leases) <sup>(1)</sup>	711	1,247	1,958	148	1,200	1,348

(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\$1,732 million (£1,112 million) at interest rates between 3.31% and 6.81%. The carrying value of these loan notes is £1,146 million. It also has a Sterling denominated private placement of £35 million with a carrying value of £37 million at an interest rate of 7.55%.

Loan notes

	Nominal value	Redeemable	Interest
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%
US\$ private placement	\$250m	Oct 2018	3.31%
US\$ private placement	\$398m	Oct 2021	3.98%
US\$ private placement	\$352m	Oct 2023	4.12%

The Group also has Sterling denominated Eurobonds totalling £575 million at interest rates of 6.375% and 7.0%. The carrying value of these bonds is £614 million. The bond redeemable in December 2014 is recorded at its fair value to the Group on acquisition.

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:

	2011 £m	2010 £m
<b>Maturity profile of borrowings (excluding finance leases)</b>		
Within 1 year, or on demand	702	137
Between 1 and 2 years	4	650
Between 2 and 3 years	81	2
Between 3 and 4 years	281	81
Between 4 and 5 years	157	289
In more than 5 years	700	147
Borrowings (excluding finance leases)	1,925	1,306

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:

	2011		2010	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
<b>Carrying value and fair value of borrowings (excluding finance leases)</b>				
Bank overdrafts	45	45	39	39
Bank loans	83	83	32	32
Loan notes	1,183	1,182	598	641
£325m Eurobond May 2012	334	337	350	347
£250m Eurobond Dec 2014	280	284	287	290
Bonds	614	621	637	637
Borrowings (excluding finance leases)	1,925	1,931	1,306	1,349

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	2011		2010	
	Gross £m	Present value £m	Gross £m	Present value £m
<b>Gross and present value of finance lease liabilities</b>				
<i>Finance lease payments falling due:</i>				
Within 1 year	10	9	12	11
In 2 to 5 years	15	15	23	22
In more than 5 years	10	9	9	9
	<b>35</b>	<b>33</b>	<b>44</b>	<b>42</b>
Less: Future finance charges	(2)	-	(2)	-
Gross and present value of finance lease liabilities	<b>33</b>	<b>33</b>	<b>42</b>	<b>42</b>

	2011			2010		
	Borrowings £m	Finance leases £m	Total £m	Borrowings £m	Finance leases £m	Total £m
<b>Borrowings by currency</b>						
Sterling	696	-	696	687	-	687
US Dollar	1,184	9	1,193	568	14	582
Euro	14	18	32	17	21	38
Japanese Yen	1	-	1	7	-	7
Other	30	6	36	27	7	34
Total	<b>1,925</b>	<b>33</b>	<b>1,958</b>	<b>1,306</b>	<b>42</b>	<b>1,348</b>

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

	2011 £m	2010 £m
<b>Undrawn committed facilities</b>		
Expiring between 1 and 5 years	<b>700</b>	<b>696</b>

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20 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 18; debt, which includes the borrowings disclosed in note 19; 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 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 16.

	2011				2010			
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
<b>Derivative financial instruments</b>								
<i>Interest rate swaps:</i>								
Fair value hedges <sup>(1)</sup>	19	62	-	-	9	80	-	-
Not in a hedging relationship <sup>(2)</sup>	-	-	(2)	(2)	-	-	(1)	(2)
<i>Other derivatives:</i>								
Forward and cross currency contracts	10	-	(1)	(1)	1	-	(4)	-
Others	-	2	-	-	-	1	-	-
<b>Total</b>	<b>29</b>	<b>64</b>	<b>(3)</b>	<b>(3)</b>	<b>10</b>	<b>81</b>	<b>(5)</b>	<b>(2)</b>

(1) Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).

(2) Derivatives carried at 'fair value through profit or loss' (IAS 39).

	2011		2010	
	Fair value swaps £m	Cash flow swaps £m	Fair value swaps £m	Cash flow swaps £m
Sterling	545	-	695	-
US Dollar	642	109	254	105
Euro	-	138	-	113
Japanese Yen	-	70	7	103
Other	-	77	-	68
<b>Total</b>	<b>1,187</b>	<b>394</b>	<b>956</b>	<b>389</b>

	2011			2010		
	Gross borrowings £m	Forward contracts £m	Effective currency of borrowings £m	Gross borrowings £m	Forward contracts £m	Effective currency of borrowings £m
<b>Effective currency denomination of borrowings after the effect of derivatives</b>						
Sterling	696	139	835	687	(156)	531
US Dollar	1,193	(506)	687	582	(103)	479
Euro	32	193	225	38	130	168
Japanese Yen	1	65	66	7	50	57
Other	36	101	137	34	82	116
<b>Total</b>	<b>1,958</b>	<b>(8)</b>	<b>1,950</b>	<b>1,348</b>	<b>3</b>	<b>1,351</b>

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21 Trade and other payables

	2011			2010		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>Trade and other payables</b>						
<b>Net book value</b>						
At 1 October	2,683	34	2,717	2,378	29	2,407
Net movement	216	5	221	288	4	292
Currency adjustment	1	-	1	17	1	18
At 30 September	2,900	39	2,939	2,683	34	2,717
<b>Comprised of</b>						
Trade payables <sup>(1)</sup>	1,292	3	1,295	1,107	5	1,112
Social security and other taxes	279	-	279	265	-	265
Other payables	158	19	177	156	17	173
Deferred consideration on acquisitions <sup>(1)</sup>	23	10	33	17	10	27
Liability on put options held by non-controlling equity partners <sup>(2)</sup>	-	-	-	-	1	1
Accruals <sup>(3)</sup>	942	7	949	942	1	943
Deferred income	206	-	206	196	-	196
Trade and other payables	2,900	39	2,939	2,683	34	2,717

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

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

(3) Of this balance £334 million (2010: £299 million) is categorized 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 2011 were 69 days (2010: 63 days).

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22 Provisions

Provisions	Insurance	Provisions in respect of discontinued and disposed businesses	Onerous contracts	Legal and other claims	Environmental and other	Total
	£m	£m	£m	£m	£m	£m
At 1 October 2009	163	89	49	127	37	465
Reclassified <sup>(1)</sup>	-	-	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	-	-	1	(1)	-	-
Business acquisitions	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
At 1 October 2010	177	66	44	129	16	432
Reclassified <sup>(1)</sup>	-	-	(6)	8	(2)	-
Expenditure in the year	(4)	(7)	(7)	(6)	(13)	(37)
Charged to income statement	27	-	11	20	14	72
Credited to income statement	-	(5)	(3)	(17)	(3)	(28)
Fair value adjustments arising on acquisitions (note 26)	-	-	-	(1)	-	(1)
Business acquisitions	-	-	1	-	1	2
Unwinding of discount on provisions	-	-	1	(1)	-	-
Currency adjustment	1	-	-	(2)	-	(1)
At 30 September 2011	201	54	41	130	13	439

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

Provisions	2011 £m	2010 £m
Current	138	130
Non-current	301	302
Total provisions	439	432

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 £5 million (2010: £16 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 other sundry 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.

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23 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 £58 million (2010: £54 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		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Rate of increase in salaries <sup>(1)</sup>	4.0%	4.1%	3.3/4.3%	3.0%	4.0%	4.0%	2.5%	2.6%	2.6%
Rate of increase for pensions in payment <sup>(1)</sup>	3.0%	2.4/3.1%	2.3/3.3%	2.3%	2.5%	2.2%	0.7%	1.2%	1.3%
Rate of increase for deferred pensions <sup>(1)</sup>	3.0%	3.1%	3.3%	0.0%	0.0%	0.0%	0.5%	1.0%	1.1%
Discount rate	5.1%	5.0%	5.4%	4.4%	4.9%	5.5%	3.7%	3.8%	5.0%
Inflation assumption	3.0%	3.1%	3.3%	2.3%	2.5%	2.2%	2.1%	2.3%	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 2011	22.3	20.7	25.1	23.5	19.0	20.9
As at 30 September 2010	22.1	20.6	24.9	23.4	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.

	2011				2010			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Fair value of plan assets</b>								
At 1 October	1,348	174	117	1,639	1,263	156	106	1,525
Currency adjustment	-	3	3	6	-	2	5	7
Expected return on plan assets	68	11	6	85	68	13	6	87
Actuarial gain/(loss)	(10)	(11)	(3)	(24)	47	(2)	1	46
Employee contributions	1	11	3	15	2	12	3	17
Employer contributions	86	20	17	123	19	8	16	43
Benefits paid	(48)	(16)	(14)	(78)	(51)	(15)	(14)	(80)
Disposals and plan settlements	-	-	(3)	(3)	-	-	(6)	(6)
Acquisitions	-	-	10	10	-	-	-	-
At 30 September	1,445	192	136	1,773	1,348	174	117	1,639

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	2011				2010			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Present value of defined benefit obligations</b>								
At 1 October	1,506	295	228	2,029	1,405	259	197	1,861
Currency adjustment	-	4	4	8	-	2	6	8
Current service cost	2	7	12	21	6	6	10	22
Past service cost	-	-	-	-	-	-	-	-
Curtailment credit	-	-	-	-	-	-	-	-
Amount charged to plan liabilities	74	16	9	99	75	17	10	102
Actuarial (gain)/loss	(36)	2	(7)	(41)	69	14	21	104
Employee contributions	1	11	3	15	2	12	3	17
Benefits paid	(48)	(16)	(14)	(78)	(51)	(15)	(14)	(80)
Disposals and plan settlements	-	-	(3)	(3)	-	-	(6)	(6)
Acquisitions	-	-	16	16	-	-	1	1
At 30 September	1,499	319	248	2,066	1,506	295	228	2,029

	2011				2010			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Present value of defined benefit obligations</b>								
Funded obligations	1,466	237	181	1,884	1,473	218	164	1,855
Unfunded obligations	33	82	67	182	33	77	64	174
Total obligations	1,499	319	248	2,066	1,506	295	228	2,029

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
<b>Post-employment benefit obligations recognised in the balance sheet</b>					
Present value of defined benefit obligations	2,066	2,029	1,861	1,552	1,512
Fair value of plan assets	(1,773)	(1,639)	(1,525)	(1,419)	(1,442)
Total deficit of defined benefit pension plans per above	293	390	336	133	70
Surplus not recognised	-	-	1	-	92
Past service cost not recognised <sup>(1)</sup>	(1)	(1)	(2)	(2)	-
Post-employment benefit obligations per the balance sheet	292	389	335	131	162

(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, £24 million (2010: £21 million), may not be offset against pension obligations under IAS 19 and is reported within note 14.

	2011				2010			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>Total pension costs/(credits) recognised in the income statement</b>								
Current service cost	2	7	12	21	6	6	10	22
Past service cost	-	-	-	-	-	-	-	-
Charged/(credited) to operating expenses	2	7	12	21	6	6	10	22
Amount charged to pension liability	74	16	9	99	75	17	10	102
Expected return on plan assets	(68)	(11)	(6)	(85)	(68)	(13)	(6)	(87)
Charged/(credited) to finance costs	6	5	3	14	7	4	4	15
Total pension costs/(credits)	8	12	15	35	13	10	14	37

The history of experience adjustments is as follows.

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
<b>Experience adjustments</b>					
Experience adjustments on plan liabilities – gain/(loss)	13	19	(3)	5	(15)
Experience adjustments on plan assets – (loss)/gain	(24)	49	(7)	(189)	22

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

	2011	2010
	£m	£m
<b>Actuarial adjustments</b>		
Actuarial (gains)/losses on fair value of plan assets	24	(46)
Actuarial (gains)/losses on defined benefit	(41)	104
Actuarial (gains)/losses	(17)	58
Increase/(decrease) in surplus not recognised	-	(1)
Actuarial (gains)/losses per the consolidated statement of comprehensive income	(17)	57

The Group made total contributions to defined benefit schemes of £123 million in the year (2010: £43 million), including exceptional advance payments of £60 million (2010: £nil) and expects to make regular ongoing contributions to these schemes of £79 million in 2012.

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 £61 million (2010: gain of £133 million).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £387 million (2010: £404 million). An actuarial gain of £17 million (2010: actuarial loss of £57 million) was recognised during the year.

Measurement of the Group's defined benefit retirement obligations is 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 £138 million decrease or £146 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 £43 million increase or £42 million decrease in the UK defined benefit obligations, respectively.

#### 24 Called up share capital

During the year 4,415,950 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.

In addition, rights to acquire 127,500 ordinary shares were granted during the year which are subject to restrictions.

	2011		2010	
	Number of shares	£m	Number of shares	£m
<b>Authorised and allotted share capital</b>				
<i>Authorised:</i>				
Ordinary shares of 10p each	3,000,010,000	300	3,000,010,000	300
<i>Allotted and fully paid:</i>				
Ordinary shares of 10p each	1,897,584,193	190	1,886,343,012	189

	2011		2010	
	Number of shares		Number of shares	
<b>Allotted share capital</b>				
Ordinary shares of 10p each allotted as at 1 October	1,886,343,012		1,853,813,959	
Ordinary shares allotted during the year on exercise of share options	8,677,203		30,487,113	
Ordinary shares allotted during the year on release of Long-Term Incentive Plan awards	2,563,978		2,041,940	
Repurchase of ordinary share capital	-		-	
Ordinary shares of 10p each allotted as at 30 September	1,897,584,193		1,886,343,012	

#### 25 Share-based payments

##### Share options

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

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26 Business combinations

On 8 March 2011, the Group acquired Coffee Distributing Corp ("CDC") through its subsidiary Canteen Vending Services, Inc and BW HLS Holdings, Inc ("HLS") through its subsidiary Crothall Services Group, Inc for the aggregate consideration of £59 million. Building on our existing presence in this sector and now providing us with wider geographic coverage, CDC is the largest office coffee and refreshment service company in the New York, New Jersey and the Connecticut area. Based in Illinois, HLS provides support services to the Healthcare sector throughout the central United States.

On 1 April 2011, Compass Group acquired PPP-Infrastructure Management Limited (PPP-IML) from Semperian PPP Investment Partners for a cash consideration of £11 million. The acquisition strengthens the Group's existing support services offer in the important sectors of Healthcare, Education and Defence.

On 29 April 2011, Compass Group acquired Elijor Nederland BV ("Elijor Nederland") for total consideration of €66 million (£58 million). Elijor Nederland is an established foodservices business, based in Amsterdam and operates in the Business & Industry, Education and Healthcare sectors.

On 13 July 2011, Compass Group acquired the remaining 50.01% additional shares of Sofra Yemek Üretim Ve Hizmet A.S. for cash a consideration of \$145 million (£91 million). The treatment is explained in note 5. 100% of the acquired assets are shown in the table below, as is the disposal of the fair value of joint venture interest previously held.

In addition to the acquisitions set out above, the Group has also completed a number of smaller infill acquisitions in several countries for the total consideration of £207 million.

	Acquisitions		Adjustments <sup>(1)</sup>	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
<b>Net assets acquired</b>				
Contract-related and other intangibles arising on acquisition	64	163	9	172
Property, plant and equipment	27	27	-	27
Inventories	18	18	-	18
Trade and other receivables	84	80	-	80
Cash and cash equivalents	18	18	-	18
Other assets	48	48	-	48
Trade and other payables	(79)	(82)	-	(82)
Deferred tax liabilities	1	(15)	(4)	(19)
Other liabilities	(27)	(23)	2	(21)
Fair value of net assets acquired	154	234	7	241
Goodwill arising on acquisition		241	(7)	234
Total consideration		475	-	475
<b>Satisfied by</b>				
Cash consideration		417	-	417
Deferred consideration		23	-	23
Fair value of joint venture interest previously owned		35	-	35
		475	-	475
<b>Cash flow</b>				
Cash consideration		417	-	417
Cash acquired		(18)	-	(18)
Acquisitions transaction costs		9	-	9
Net cash outflow arising on acquisition		408	-	408
Deferred consideration and other payments relating to previous acquisitions				18
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings				426

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

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

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 2011 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 £35 million is expected to be deductible for tax purposes.

Acquisition transaction costs expensed in the year to 30 September 2011 were £9 million (2010: £5 million).

In the period from acquisition to 30 September 2011 the acquisitions contributed revenue of £186 million and operating profit of £2 million to the Group's results.

If the acquisitions had occurred on 1 October 2010, it is estimated that Group revenue for the period would have been £16,195 million and total Group operating profit (including associates) would have been £1,032 million.

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27 Reconciliation of operating profit to cash generated by operations

	2011 £m	2010 £m
<b>Reconciliation of operating profit to cash generated by continuing operations</b>		
Operating profit from continuing operations	1,010	983
Add back: UK re-organisation	55	-
Operating profit from continuing operations before UK re-organisation	1,065	983
<i>Adjustments for:</i>		
Acquisition transaction costs	9	5
Amortisation of intangible assets (excluding UK re-organisation)	94	90
Amortisation of intangible assets arising on acquisition	12	7
Depreciation of property, plant and equipment (excluding UK re-organisation)	160	148
(Gain)/loss on disposal of property, plant and equipment/intangible assets	1	-
Impairment of other investments	-	1
Impairment of goodwill (excluding UK re-organisation)	2	-
Increase/(decrease) in provisions	8	(25)
Increase/(decrease) in post-employment benefit obligations	(42)	(19)
Share-based payments expense - non-controlling interest call option	-	2
Share-based payments - charged to profits	10	9
Share-based payments - settled in cash or existing shares <sup>(1)</sup>	-	1
Operating cash flows before movement in working capital	1,319	1,202
(Increase)/decrease in inventories	(16)	-
(Increase)/decrease in receivables	(157)	(87)
Increase/(decrease) in payables	152	215
Cash generated by continuing operations	1,298	1,330

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

28 Cash flow from discontinued operations

	2011 £m	2010 £m
<b>Cash flow from discontinued operations</b>		
<b>Net cash from/(used in) operating activities of discontinued operations</b>		
Cash utilised from discontinued operations	(6)	3
Tax paid	-	-
Net cash from/(used in) operating activities of discontinued operations	(6)	3
<b>Net cash from/(used in) investing activities by discontinued operations</b>		
Purchase of property, plant and equipment	-	-
Proceeds from sale of property, plant and equipment	-	-
Net cash from/(used in) investing activities by discontinued operations	-	-
<b>Net cash from/(used in) financing activities by discontinued operations</b>		
Dividends paid to non-controlling interests	-	-
Net cash from/(used in) financing activities by discontinued operations	-	-

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29 Reconciliation of net cash flow to movement in net debt

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

	Cash and cash equivalents £m	Gross debt					Total gross debt £m	Net debt £m
		Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m		
<b>Net debt</b>								
At 1 October 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)
At 1 October 2010	643	(39)	(1,267)	(1,306)	(42)	84	(1,264)	(621)
Net increase/(decrease) in cash and cash equivalents	467	-	-	-	-	-	-	467
Cash outflow from repayment of bonds	-	-	83	83	-	-	83	83
Cash (inflow)/outflow from other changes in gross debt	-	(6)	(683)	(689)	-	(4)	(693)	(693)
Cash flow from repayment of obligations under finance leases	-	-	-	-	12	-	12	12
(Increase)/decrease in net debt as a result of new finance leases taken out	-	-	-	-	(2)	-	(2)	(2)
Currency translation gains/(losses)	-	-	(14)	(14)	-	16	2	2
Acquisitions and disposals (excluding cash)	-	-	(8)	(8)	(1)	-	(9)	(9)
Other non-cash movements	-	-	9	9	-	(9)	-	-
At 30 September 2011	1,110	(45)	(1,880)	(1,925)	(33)	87	(1,871)	(761)

Other non-cash movements are comprised as follows:

	2011 £m	2010 £m
<b>Other non-cash movements in net debt</b>		
Accrual for issuance fees	2	-
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	4	4
Swap monetisation credit	2	4
Unrealised net gains/(losses) on bank and other borrowings in a designated fair value hedge	1	(8)
Bank and other borrowings	9	-
Changes in the value of derivative financial instruments	(9)	5
Other non-cash movements	-	5

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30 Contingent liabilities

Performance bonds, guarantees and indemnities <sup>(1)</sup>	2011 £m	2010 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>(1)</sup>	<b>371</b>	<b>354</b>

(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 32.

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. 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.

31 Capital commitments

Capital commitments	2011 £m	2010 £m
Contracted for but not provided for	<b>106</b>	<b>70</b>

The majority of capital commitments are for intangible assets.

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32 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:

	2011			2010		
	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
<b>Operating lease and concessions commitments</b>						
Falling due within 1 year	51	50	59	50	52	43
Falling due between 2 and 5 years	121	68	60	118	90	53
Falling due in more than 5 years	82	7	36	62	7	36
<b>Total</b>	<b>254</b>	<b>125</b>	<b>155</b>	<b>230</b>	<b>149</b>	<b>132</b>

33 Related party transactions

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

Subsidiaries

Transactions between the Ultimate Parent Company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

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

Associates

The balances with associated undertakings are shown in notes 16 and 21. 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.

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34 Post balance sheet events

On 3 August 2011 Compass Group had agreed to acquire the entire issued share capital of Obasan Gıda İnşaat Sanayi ve Ticaret Anonim Şirketi ('Obasan'), subject to obtaining clearance from the board of the competition authority of the Republic of Turkey. The necessary clearance has been received and the acquisition completed on 3 October 2011. For the year ended 31 December 2010, it generated revenues of 89.7 million Turkish Lira (c.£34.8 million).

On 21 October 2011, Compass Group acquired Integrated Cleaning Management Limited ('ICM') from Paul Rafferty and Coral Brodie. For the year ended 31 March 2011, ICM had revenues of £61.0 million. ICM is one of the UK's largest independent specialist providers of core cleaning and related services. ICM operates across the UK, with a particular focus on the corporate office, hospitality, leisure, hotel and retail sectors.

35 Exchange rates

Exchange rates	2011	2010
<b>Average exchange rate for year</b>		
Australian Dollar	1.57	1.74
Brazilian Real	2.65	2.77
Canadian Dollar	1.59	1.64
Euro	1.15	1.15
Japanese Yen	129.63	139.19
Norwegian Krone	9.05	9.34
South African Rand	11.17	11.64
Swedish Krona	10.40	11.28
Swiss Franc	1.45	1.63
UAE Dirham	5.90	5.73
US Dollar	1.61	1.56
<b>Closing exchange rate as at 30 September</b>		
Australian Dollar	1.60	1.63
Brazilian Real	2.89	2.67
Canadian Dollar	1.62	1.62
Euro	1.16	1.15
Japanese Yen	120.08	131.64
Norwegian Krone	9.15	9.23
South African Rand	12.52	10.99
Swedish Krona	10.70	10.61
Swiss Franc	1.42	1.54
UAE Dirham	5.72	5.79
US Dollar	1.56	1.58

(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.

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36 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.

Principal subsidiaries	Country of incorporation	Principal activities
<b>North America</b>		
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
<b>Continental Europe</b>		
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
Sofra Yemek Üretim Ve Hizmet A.S.	Turkey	Foodservice and support services
<b>United Kingdom &amp; Ireland</b>		
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 Group Procurement 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 <sup>(1)</sup>	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 Ltd	England & Wales	Security and support services
<b>Rest of the World</b>		
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 one of the world's leading foodservice and support services companies with annual revenue of over £15 billion operating in around 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 2011's average exchange rates.
- Organic revenue 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 excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and share-based payments expense – non-controlling interest call option.
- Operating margin is based on revenue and operating profit excluding share of profit of associates.
- Underlying profit before tax excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, share-based payments expense – non-controlling interest call option, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options and gain on remeasurement of joint venture interest on acquisition of control.
- Underlying basic earnings per share excludes UK re-organisation, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, share-based payments expense – non-controlling interest call option, hedge accounting ineffectiveness, the change in fair value of investments and non-controlling interest put options, gain on remeasurement of joint venture interest on acquisition of control and the tax attributable to these amounts.

- (d) The timetable for payment of the final dividend of 12.8p per share is as follows:

Ex dividend date: 25 January 2012  
Record date: 27 January 2012  
Payment date: 27 February 2012

- (e) The Annual Results Announcement was approved by the Directors on 23 November 2011 and has been derived from the Company's Annual Report and Accounts for the year ended 30 September 2011. The Auditors' Report on these accounts was unqualified and did not contain statements under section 498(2)(a) or 498(3) of the Companies Act 2006.

The 2011 Annual Report and Accounts will be published on 22 December 2011. 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](http://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](http://www.hemscott.com/nsm.do).

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

- (f) Forward looking statements

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

- (g) A presentation for analysts and investors will take place at 9:30 a.m. (GMT/London) on Wednesday 23 November 2011 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](http://www.compass-group.com) or [www.cantos.com](http://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 23 November 2011 for seven days. To hear the replay, dial +44 (0) 20 3140 0698, passcode 380663#.
- A webcast replay of the presentation will be available for six months, at [www.compass-group.com](http://www.compass-group.com) and [www.cantos.com](http://www.cantos.com)

- (h) There are no matters which require disclosure in respect of Mr Blakemore in accordance with LR 9.6.13 (2) to (6).

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