



**Compass Group PLC**  
**Preliminary Results**  
**For The Year Ended 30 September 2007**

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## **Delivering Profitable Growth**

- Revenue £10.3 billion, 5% organic growth.
  - Operating profit £529 million, up 16% reported basis, 24% constant currency.
  - Margin 5.1%, up 70 basis points.
  - Underlying earnings per share 15.2p, up 62%.
  - Total dividend up 7% to 10.8p.
  - Step change in free cash flow to £357 million, up £145 million, 68%.
  - Entering a new phase of sustainable value creation.
- 

### **Richard Cousins, Chief Executive Officer, said:**

“Over the last 18 months we have simplified the business to focus on our core food and support services offer by selling non core businesses and we have considerably reduced our risk profile by exiting high risk or volatile businesses. Through the MAP process we have transformed the performance of the business with good quality organic revenue growth, greater focus on like for like growth and cost efficiencies together driving the operating margin forward by 70 basis points. Our focus on capital expenditure and working capital has resulted in a step change in the delivery of free cash flow, up 68% to £357 million.

Whilst there is still much to do, we have had an encouraging start to the new financial year and I am excited about the prospects for future growth of revenue, operating profit, margin and free cash flow.”

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

“The introduction of MAP has given us a common language and agenda resulting in greater focus and visibility across the whole business. We have delivered a step change in profit and free cash flow generation as new processes begin to embed throughout the organisation. Looking ahead, we believe we are entering a new phase of sustainable value creation, with exciting opportunities to grow revenues, improve margins and generate significant cash flow.

With good growth in earnings per share and free cash flow we have decided to increase the total dividend by 7% to 10.8 pence.”

Financial summary For the year ended 30 September	2007	2006	Increase
<b>Continuing operations</b>			
Revenue			
- constant currency <sup>(1)</sup>	£10,268m	£9,768m	5.1%
- reported	£10,268m	£10,267m	-
Operating profit <sup>(2)</sup>			
- constant currency <sup>(1)</sup>	£529m	£428m	23.6%
- reported	£529m	£457m	15.8%
Operating margin <sup>(3)</sup>	5.1%	4.4%	70bps
Profit before tax			
- underlying <sup>(4)</sup>	£442m	£312m	41.7%
- reported	£436m	£323m	35.0%
Free cash flow	£357m	£212m	68.4%
Basic earnings per share			
- underlying <sup>(4)</sup>	15.2p	9.4p	61.7%
- reported <sup>(5)</sup>	15.0p	9.7p	54.6%
<b>Total Group including discontinued operations</b>			
Basic earnings per share	25.6p	13.3p	92.5%
Total dividend per ordinary share	10.8p	10.1p	6.9%

(1) Constant currency restates the prior year results to 2007's average exchange rates.

(2) Includes share of profit of associates.

(3) Excludes share of profit of associates.

(4) Underlying profit before tax excludes revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness) of £(6) million (2006: £11 million). Underlying basic earnings per share excludes these items net of tax.

(5) Reported basic earnings per share before exceptional items.

(6) Organic growth is calculated by adjusting for acquisitions (excluding current period 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 results against 2006.

## Management and Performance (MAP)

Our strong operating performance is being driven by concentrating on the five key profit drivers of MAP, which are now embedded within our business. Each MAP component has its own set of key performance indicators. Performance is reviewed with country management teams both monthly and in our detailed business reviews which ensure the business is constantly focused on profitable organic growth. MAP has enabled us to deliver the £101 million of constant currency operating profit growth as follows:

### **£30 million of net new business growth driven by better quality new business and retention**

*MAP 1 - Client Sales and Marketing*, achieved through: better targeted businesses, tighter contracts and sharper contract evaluation. Included among our new business wins: Asda in the UK; The House of Representatives, Dell and DreamWorks in the US; Continental in Germany; and Shell across Europe.

### **£35 million of base estate profit growth driven by like for like revenue growth and cost efficiencies**

Driving like for like revenue growth:

*MAP 1 – Client Sales and Marketing*: addresses driving like for like revenue through client pricing strategies and growing client volumes, for example: through additional services, such as: cleaning, portering, reception and concierge.

*MAP 2 – Consumer Sales and Marketing*: focuses on developing our retail philosophy in order to increase participation and spend per head, for example: extending our offer to include breakfast and 'Grab & Go' concepts.

Driving Cost Efficiencies:

*MAP 3 – Food Cost*: addresses cost efficiencies through a systematic approach to menu planning, purchasing & supply chain, and unit processes.

*MAP 4 – Unit Costs*: we spend nearly £5.5 billion per year on unit costs and we have been managing this through: Labour productivity and scheduling; control of labour costs and in unit overhead opportunities.

### **£36 million of above unit overhead savings after allowing for inflation**

*MAP 5 – Above Unit Overheads*: we spend £0.8 billion on above unit overheads per year. The savings have been achieved through: management reorganisation, consolidated back office functions, change management processes and tightened control of discretionary spend.

## Food Cost Inflation

We spend around £3.5 billion a year on food. We estimate that for last year we have seen about a one percentage point increase in the rate of inflation. To put this into context each one percentage point of food cost inflation adds about £35 million to the total cost base of £9.7 billion. This is before taking into account that around one third of our contracts are cost plus. We believe that our basket of goods is currently experiencing market increases of some 4-5%.

In terms of its impact, most of the geographies in which we operate and most food categories have seen some inflation. However, the larger double digit inflationary increases have been in dairy, rice and pasta. Together these categories account for only about 10% of the Group's spend on food.

Food price inflation is not a new phenomenon. We have managed it well for many years and continue to do so, but now, through the MAP framework, with greater intensity. The specific actions we are taking to address food inflation fall into three categories: purchasing and supply chain efficiencies; unit cost efficiencies including menu re-engineering; client and consumer price increases.

So, in conclusion, food price inflation is well understood and being acted upon. Crucially, despite the inflation we have seen this year, we have been able to hold our gross margins steady through the combination of cost efficiencies and price increases.

## Strategy and Future

Looking back over the achievements of the last 18 months, strategically, we have defined a clearer focused strategy and launched MAP. We have made good progress in developing our Support Services business and we have simplified the business by exiting non core businesses such as SSP, Selecta, Hotels and other non core assets. We have also reduced the number of countries in which we operate and considerably reduced our risk profile.

We believe we now have a focused and transparent business model which will generate significant opportunities to grow the top line organically, improve margins and grow profitably and generate significant cash flow. We believe we are entering a new phase of sustainable value creation.

There will be no change in our core strategy as we enter the next phase of our development. We remain very excited by the prospects for growth with significant outsourcing potential in our core food and support service markets. We estimate that outsourcing growth in the food service market (valued at £150 Billion) is at least 5% per annum. The support services market is larger than the food services market and growing at a faster rate. Operationally we will stay focused on MAP and embed it deeper into the organisation. The drive for like for like growth and increased operational efficiencies will also continue. From this we will expect further significant cash flow generation.

## Process and People

New monthly reporting processes and regular business reviews with country management teams ensure that we are all constantly focused on the management and performance of the five MAP value drivers. Local managing directors are now empowered to get on with running their businesses, operating within a clearly defined MAP operating framework.

The new measures have also led to tighter discipline and sounder governance. Approval processes have been strengthened and remuneration policies reviewed. The Corporate and Social Responsibility Committee, a sub committee of the Board, continues to oversee all aspects of health and food safety, environmental impacts, governance and its reporting.

Over the past eighteen months significant management changes have been implemented at Board, Executive Committee and country levels. The introduction of MAP and the removal of divisional management structures have resulted in greater transparency across the organisation. We now have greater management strength at both country and head office level and this new Global Leadership team has been central to driving the improved performance.

## Enquiries:

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## Website

[www.compass-group.com](http://www.compass-group.com)

For presentation and teleconference details refer to the notes on page 12.

## GROUP TRADING REVIEW

Compass Group today announces its preliminary results for the year ended 30 September 2007.

Financial summary For the year ended 30 September	2007	2006	Increase
<b>Continuing operations</b>			
Revenue			
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Basic earnings per share			
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(4) Underlying profit before tax excludes revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness) of £(6) million (2006: £11 million). Underlying basic earnings per share excludes these items net of tax.

(5) Reported basic earnings per share before exceptional items.

## Discontinued Operations

On 2 July 2007, the Group completed the sale of its European vending business, Selecta, for a consideration of £772 million on a debt and cash free basis. The Group has also completed the sale and closure of a number of other small businesses during the year as part of its exit from the travel concessions business. The 2006 revenue and operating profits of all of these businesses closed in the year were £548 million and £51 million respectively. The results of these businesses are treated as discontinued operations and are therefore excluded from the results of continuing operations in 2007. The 2006 results have been restated on a consistent basis.

## Revenue

Overall, organic revenue growth was 5%, comprising new business of around 8%, reflecting a slight but deliberate slow down of around one percentage point in the rate of new contract wins as we have focused on gaining better quality business, retention of around 94%, about one percentage point lower than in previous years due to the work we have been doing to exit loss making contracts, and like for like growth of just under 3%. The significant strengthening of sterling, in particular against the US dollar, impacted revenues by 5%, resulting in reported revenues remaining flat. Organic growth is calculated by adjusting for acquisitions (excluding current period acquisitions and including a full period in respect of prior period acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current period exchange rates), and compares the results against 2006.

The table below summarises the performance of the Group's continuing operations by geographic segment.

<b>Segmental performance</b>		<b>Reported change %</b>	<b>Constant currency change %</b>	<b>Organic change %</b>	
<b>Year ended 30 September 2007</b>					
	<b>2007</b>	<b>2006</b>			
<b>Continuing operations</b>					
Revenue (£m)					
North America	4,162	4,290	(3)	6	6
Continental Europe	2,553	2,484	3	4	4
United Kingdom	1,931	1,882	3	3	2
Rest of the World	1,622	1,611	1	8	9
<b>Total</b>	<b>10,268</b>	<b>10,267</b>	<b>-</b>	<b>5</b>	<b>5</b>
Operating profit <sup>(1)</sup> (£m)					
North America	261	245			
Continental Europe	151	122			
United Kingdom	107	107			
Rest of the World	64	47			
Unallocated overheads	(58)	(66)			
Associates	4	2			
<b>Total</b>	<b>529</b>	<b>457</b>			
Operating margin <sup>(2)</sup> (%)					
North America	6.3	5.7			
Continental Europe	5.9	4.9			
United Kingdom	5.5	5.7			
Rest of the World	3.9	2.9			
<b>Total</b>	<b>5.1</b>	<b>4.4</b>			

(1) Operating profit includes share of profit of associates UK £3 million (2006: £1 million) & North America £1 million (2006: £1 million).

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

**North America – 40.5% Group revenue (2006: 41.8%)**

North America continues to make excellent progress across a broad and well balanced portfolio. We have seen good organic revenue growth, with a much better balance between new contracts and like for like growth. The Business & Industry sector has been driven through innovation, delivering 4% like for like revenue growth. We have had considerable success in creating a multi-service business in the Healthcare sector through cross-selling between Morrisons, our food service business, and Crothall, our support services business. To support this we completed an infill acquisition, after 30 September, of a company with £37 million of revenues called Professional Services whose services and business model align very closely to Crothall. Healthy eating programmes and the strength of the Chartwells brand contributed to 9% organic revenue growth in the Education sector. Combined with good progress in Levy, our Sports & Leisure business, and in the Canadian business, North America delivered 6% organic revenue growth overall. The pipeline into 2008 looks healthy.

Operating profit increased by £39 million, or 18%, on a constant currency basis to £261 million (2006: £222 million on a constant currency basis), and we have seen a step change in the margin of 60 basis points to 6.3%. Around half of the margin growth has come from a significant one-off reduction in overheads. The remainder of the improvement is the result of better like for like growth and ongoing operating efficiencies across the businesses, both in unit and above unit overheads. We have seen an improvement in margin of 40 basis points, from 6.1% in the first half to 6.5% in the second half.

**Continental Europe – 24.9% Group revenue (2006: 24.2%)**

Organic revenue growth in Continental Europe has doubled to 4%, with good growth opportunities for the future. In Spain, good like for like growth, driven by new offerings and an increase in consumer numbers, together with strong new business in the Healthcare and Education sectors resulted in organic revenue growth of 13%. The continued high activity in the oil and gas industry in the Nordic region has contributed to 14% organic revenue growth, while the focus on healthy eating continues to drive increasing volumes through much of the region. We are becoming more established in the Eastern European market with our businesses there growing well.

On a constant currency basis, growth of £31 million, or 26%, in operating profit from continuing operations to £151 million (2006: £120 million on a constant currency basis) represents a margin improvement of 100 basis points. Just over half of this improvement is attributable to the completion of the turnaround of previously underperforming countries such as France and the Netherlands. The remaining margin growth has come from improved like for like revenue growth, which is at a high drop through to margin, and focus on cost control across all countries. It is important to remember that the seasonality of this business, with the reduction in headcounts in the Business & Industry sector over the summer period and the closure of schools, means that we record stronger profits and margin in the first half, 6.5%, compared to the second half, 5.3%. The underlying trends in the first and second half margin in 2007 are similar to 2006.

**UK – 18.8% Group revenue (2006: 18.3%)**

The UK business has delivered a solid result with, as expected, operating profits in line with last year.

Fundamentally we have a very strong business in the UK. We have continued to work hard to fix the basics and build a solid foundation for the future. Good progress has been made by the new senior management team: the work to improve or exit loss making contracts is now largely complete; we have continued to reorganise across the business to drive further efficiencies; and Education, after a difficult period, is now stabilised.

Although the organisation of the business is much improved there is still more work to do. As such, we expect the performance of the business to be broadly similar in 2008.

### ***Rest of the World – 15.8% Group revenue (2006: 15.7%)***

In the Rest of the World our two largest businesses, Australia and Japan, together account for 52% of revenue. Australia has continued to deliver strong organic revenue growth driven by the continued buoyancy of the extractive industries. In addition to this, with the help of the MAP programme, Australia has made good progress in developing its margin.

In Japan, the focus has been on driving efficiency. By restructuring the business and increasing the focus on cost efficiency we have seen good improvement in the margin. There is still more to do and we need to work harder to drive revenue growth, but we are very encouraged by the progress in the business over the last year.

Good progress has been made in Latin America and the UAE with a healthy mix of revenue and profit growth.

Overall, the Rest of the World has had another very strong year, delivering £64 million operating profit from continuing operations (2006: £43 million on a constant currency basis), an increase of £21 million, or 49%, on a constant currency basis. This represents margin growth of 100 basis points, approximately half of which has come from the step change in lower margin countries such as Japan and the mobilisation of strong new business particularly in Australia and Latin America. In August, the Group sold a significant part of its remaining high street retail restaurants business in Japan for £26 million – with annual operating profits of around £4 million in the year.

There remains significant opportunity to further develop our businesses in the Rest of the World both in size and operating performance.

### ***Unallocated Overheads***

Unallocated overheads for the year were £58 million (2006: £66 million). The decrease is largely due to the absence of non-recurring restructuring costs last year and overhead efficiencies, partly offset by the strengthening of central functions.

### ***Operating Profit***

Operating profit from continuing operations, including associates, was £529 million (2006: £457 million), an increase of 16% on a reported basis. The operating profit increased by £101 million on a constant currency basis, up 24%. This represents a 70 basis point improvement in margin.

### ***Finance Cost***

Underlying net finance cost, excluding revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness), was £87 million (2006: £145 million). With the full year benefit of the Selecta disposal proceeds going forward, we expect the 2008 underlying finance charge to be around £70 million.

### ***Profit Before Tax***

Profit before tax from continuing operations was £436 million (2006: £323 million).

On an underlying basis, excluding revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness), profit before tax from continuing operations increased by 42% to £442 million (2006: £312 million).

### ***Income Tax Expense***

On an underlying basis, excluding revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness), the tax charge from continuing operations and before exceptional items was £126 million (2006: £101 million), an effective tax rate of 29% (2006: 32%). Against the background of reducing corporate tax rates in a number of territories, we now expect the Group's effective tax rate to average out at around the 29% level for the short term.

### **Discontinued Operations**

The profit after tax from discontinued operations was £212 million (2006: £33 million).

### **Basic Earnings per Share**

Basic earnings per share were 25.6 pence (2006: 13.3 pence). Excluding the results of discontinued operations and exceptional items, basic earnings per share on an underlying basis, excluding revaluation gains and losses on swaps and hedging instruments (hedge accounting ineffectiveness), were 15.2 pence (2006: 9.4 pence).

	Attributable Profit		Basic earnings per share		
	2007 £m	2006 £m	2007 Pence	2006 Pence	Change %
Reported	515	285	25.6	13.3	92.5
Discontinued operations and exceptional items	(212)	(77)	(10.6)	(3.6)	
Hedge accounting ineffectiveness (net of tax)	4	(7)	0.2	(0.3)	
Underlying	307	201	15.2	9.4	61.7

### **Dividends**

A final dividend of 7.2 pence per share will be proposed (to be paid on 3 March 2008 to shareholders on the register on 1 February 2008) and will result in a total dividend for the year of 10.8 pence per share (2006: 10.1 pence per share), a year on year increase of 7%. Dividend cover for 2007 was 2.5 times reported earnings. On an underlying basis the dividend was covered 1.5 times on an earnings basis and 1.7 times on a free cash basis.

### **Free Cash Flow**

Free cash flow from the continuing business totalled £357 million (2006: £212 million). The major factors contributing to the increase were: £70 million increase in operating profit before associates, £56 million improvement in working capital and £47 million lower net interest payments, offset in part by £24 million higher net tax payments.

Gross capital expenditure of £192 million (2006: £198 million), including amounts purchased by finance lease of £15 million (2006: £15 million), represents 1.9% of revenue (2006: 1.9% of revenue). We continue to expect the level of gross capital expenditure to remain at around 2% of revenue going forward. Proceeds from the sale of assets were £22 million and we would expect this to be around £12 million lower in 2008.

We have seen a step change in the management of working capital. There has been a focus in all areas, but we have seen excellent improvements in trade debtors and discounts receivable through quicker billing and collections, giving an overall £38 million working capital inflow in the year. We believe there are further improvements possible and expect to achieve an average sustainable improvement of £20 - £30 million a year for the foreseeable future, but with better improvement in the next couple of years.

The cash tax rate for the year was 26% (2006: 30%), based on underlying profit before tax for the continuing operations, and we continue to expect the cash tax rate to average out at the mid to high 20s level over the short term.

The net interest outflow of £127 million (2006: £174 million) continues to reflect the impact of the 2004 swap monetisation, which will be substantially unwound by the end of 2009.

### **Acquisition Payments**

The acquisition of the remaining 5% interest in Onama, our Italian business, was completed in December 2006 for £7 million. A further £17 million was spent on deferred consideration relating to prior year acquisitions and £7 million on new acquisitions.

### **Disposal Proceeds**

The sale of the European vending business, Selecta, was completed in July 2007 for gross consideration of £772 million, £725 million net of transaction costs and completion accounting adjustments. A further £37 million of deferred consideration relating to prior year disposals was received in the year and £56 million from the disposal of other operations in the year.

### **Return on Capital Employed**

Return on Capital Employed (ROCE) was 12.5% (2006: 11.3%) based on the continuing business before exceptional items, excluding the Group's minority partner's share of total operating profit, net of tax at 30% and using an average capital employed for the year of £2,914 million (2006: £2,751 million) calculated from the IFRS balance sheet.

Under UK GAAP, included within average capital employed was goodwill previously written off to reserves, now extinguished under IFRS, and goodwill amortised prior to 30 September 2004, the date at which the net book value of goodwill was frozen under IFRS. Including these adjustments, average capital employed for the year (for the continuing businesses) would have been £5,899 million (2006: £5,736 million) and return on capital employed for the continuing business would have been 6.5% (2006: 5.8%).

### **Financial Targets**

The Group's three year targets for the continuing business for 2006 to 2008 remain unchanged at:

- 100 basis points improvement in ROCE
- free cash flow from continuing operations of £800 million to £850 million.

### **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 prudent assumptions are used and adequate provision made.

Particularly good progress has been made in respect of the Group's UK defined benefit pension schemes where a further £45 million special contribution was paid in during the year following completion of the sale of the Selecta UK vending operation. This follows special contributions in 2006 totalling £280 million to the UK schemes following the sale of the SSP travel concessions business and the Strand Palace Hotel.

In the UK defined benefit pension schemes we have again increased our longevity assumptions so that, for example, a female non-pensioner is now assumed to survive 24.7 years following retirement (2006: 23.7 years). The Group's total pension deficit was reduced significantly in the year, despite the adoption of the more prudent assumptions, to £162 million (2006: £282 million). The deficit would have reduced to only £70 million if the surplus on certain schemes had been fully recognised. IFRIC 14 only permits the recognition of a pension fund surplus where a company can clearly demonstrate that it can access the surplus through, for example, reduced future contributions. The Group has taken the prudent view that it will not be able to access these surpluses, totalling £92 million, in the foreseeable future.

The total pensions charge for defined contribution schemes in the year was £36 million (2006: £33 million) and £22 million (2006: £35 million) for defined benefit schemes. Of the defined benefit scheme costs, £2 million (2006: £11 million) was charged to net finance cost.

## **Outlook**

“The introduction of MAP has given us a common language and agenda resulting in greater focus and visibility across the whole business. We have delivered a step change in profit and free cash flow generation as new processes begin to embed throughout the organisation. Looking ahead, we believe we are entering a new phase of sustainable value creation, with exciting opportunities to grow revenues, improve margins and generate significant cash flow”.

**Richard Cousins**  
Chief Executive

**Sir Roy Gardner**  
Chairman

## NOTES

(a) The results for the year ended 30 September 2007 were approved by the Directors on 28 November 2007 and have been derived from the Company's statutory accounts for that year. The Auditors' Report on these accounts was unqualified and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. In addition the preliminary results do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The full statutory accounts, which comply with IFRS will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

(b) Forward looking statements

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

(c) The timetable for the proposed final dividend of 7.2p per share is as follows:

Ex dividend date:	30 January 2008
Record date:	1 February 2008
Payment date:	3 March 2008

(d) A presentation for analysts and investors will take place at 9:30 a.m. (GMT/London) on Wednesday 28 November 2007 at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1.

The live presentation can also be accessed via both a webcast and dial-in teleconference starting at 09.30 a.m. (London):

- To listen to the live presentation via teleconference, dial (UK) +44 0845 302 2580 or (Intl) +44 (0)1452 583 043. **Conference access ID: 24263113**
- 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 for seven working days. To hear the replay, dial (UK) 0845 245 5205 or (Intl) +44 (0)1452 55 00 00. The replay access number is **24263113#**.
- 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)

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Media	Chris King

## Website

[www.compass-group.com](http://www.compass-group.com)

**Consolidated income statement**  
for the year ended 30 September 2007

	Notes	2007			2006		
		Before exceptional items £m	Exceptional items (Note 7) £m	Total £m	Before exceptional items £m	Exceptional items (Note 7) £m	Total £m
<b>Continuing operations:</b>							
Revenue	1	10,268	-	10,268	10,267	-	10,267
Operating costs	2	(9,743)	-	(9,743)	(9,812)	-	(9,812)
<b>Operating profit</b>	1	<b>525</b>	-	<b>525</b>	455	-	455
Share of profit of associates		4	-	4	2	-	2
<b>Total operating profit</b>		<b>529</b>	-	<b>529</b>	457	-	457
Finance income	4	28	-	28	15	-	15
Finance costs	4	(115)	-	(115)	(160)	-	(160)
Hedge accounting ineffectiveness	4	(6)	-	(6)	11	-	11
<b>Profit before tax</b>		<b>436</b>	-	<b>436</b>	323	-	323
Income tax (expense)/credit	5	(124)	-	(124)	(105)	44	(61)
<b>Profit for the year from continuing operations</b>	1	<b>312</b>	-	<b>312</b>	218	44	262
<b>Discontinued operations:</b>							
<b>Profit/(loss) for the year from discontinued operations</b>	6	<b>15</b>	<b>197</b>	<b>212</b>	60	(27)	33
<b>Continuing and discontinued operations:</b>							
<b>Profit for the year</b>		<b>327</b>	<b>197</b>	<b>524</b>	278	17	295
<b>Attributable to:</b>							
Equity shareholders of the Company		318	197	515	268	17	285
Minority interest		9	-	9	10	-	10
<b>Profit for the year</b>		<b>327</b>	<b>197</b>	<b>524</b>	278	17	295
<b>Basic earnings per share (pence)</b>							
From continuing operations	8			15.0p			11.7p
From discontinued operations	8			10.6p			1.6p
<b>From continuing and discontinued operations</b>	8			<b>25.6p</b>			<b>13.3p</b>
<b>Diluted earnings per share (pence)</b>							
From continuing operations	8			15.0p			11.7p
From discontinued operations	8			10.4p			1.6p
<b>From continuing and discontinued operations</b>	8			<b>25.4p</b>			<b>13.3p</b>

**Consolidated statement of recognised income and expense**  
for the year ended 30 September 2007

	Notes	2007 £m	2006 £m
<b>Net income/(expense) recognised in equity</b>			
Fair value movement on cash flow hedges		-	4
Currency translation differences		(12)	(7)
Actuarial gains/(losses) on post-retirement employee benefits	23	38	(37)
Tax on items taken directly to equity	5	8	3
Recognition of deferred tax asset relating to currency translation differences in prior years	5	37	-
Income/(expense) recognised directly in equity		71	(37)
<b>Transfers</b>			
Transfer to profit or loss from equity of cumulative translation differences on discontinued activities		-	2
Transfer to profit or loss from equity on cash flow hedges		-	(6)
Net transfer to profit or loss from equity		-	(4)
<b>Net gain/(loss) recognised directly in equity</b>			
<b>Net gain/(loss) recognised directly in equity</b>		71	(41)
<b>Profit for the financial year</b>			
Profit for the financial year		524	295
<b>Total recognised income and expense for the year</b>	25	<b>595</b>	<b>254</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		576	248
Minority interest		19	6
<b>Total recognised income and expense for the year</b>	25	<b>595</b>	<b>254</b>

**Consolidated balance sheet**  
as at 30 September 2007

	Notes	2007 £m	2006 £m
<b>Non-current assets</b>			
Goodwill	10	2,985	3,451
Other intangible assets	11	142	152
Property, plant and equipment	12	576	756
Interests in associates	13	25	39
Other investments	14	12	9
Deferred tax assets*	5	240	237
Trade and other receivables	16	66	117
Derivative financial instruments**	20	13	22
<b>Non-current assets</b>		<b>4,059</b>	<b>4,783</b>
<b>Current assets</b>			
Inventories	17	179	212
Trade and other receivables	16	1,343	1,424
Tax recoverable*		10	10
Derivative financial instruments**	20	2	9
Cash and cash equivalents**	18	839	848
<b>Current assets</b>		<b>2,373</b>	<b>2,503</b>
<b>Total assets</b>		<b>6,432</b>	<b>7,286</b>
<b>Current liabilities</b>			
Short-term borrowings**	19	(151)	(119)
Derivative financial instruments**	20	-	(2)
Current tax liabilities*		(171)	(357)
Trade and other payables	21	(1,833)	(1,990)
Provisions	22	(86)	(65)
<b>Current liabilities</b>		<b>(2,241)</b>	<b>(2,533)</b>
<b>Non-current liabilities</b>			
Long-term borrowings**	19	(1,452)	(1,835)
Derivative financial instruments**	20	(15)	(18)
Post-employment benefit obligations	23	(162)	(282)
Provisions	22	(351)	(242)
Deferred tax liabilities*	5	(5)	(18)
Other payables	21	(36)	(46)
<b>Non-current liabilities</b>		<b>(2,021)</b>	<b>(2,441)</b>
<b>Total liabilities</b>		<b>(4,262)</b>	<b>(4,974)</b>
<b>Net assets</b>		<b>2,170</b>	<b>2,312</b>
<b>Equity</b>			
Share capital	24,25	193	210
Share premium account	25	122	96
Capital redemption reserve	25	33	15
Less: own shares	25	(1)	-
Other reserves	25	4,312	4,288
Retained earnings	25	(2,511)	(2,303)
<b>Total equity shareholders' funds</b>		<b>2,148</b>	<b>2,306</b>
<b>Minority interests</b>	25	<b>22</b>	<b>6</b>
<b>Total equity</b>		<b>2,170</b>	<b>2,312</b>

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

Approved by the board of directors on 28 November 2007 and signed on their behalf by

**Richard J Cousins**, Director  
**Andrew D Martin**, Director

**Consolidated cash flow statement**  
for the year ended 30 September 2007

	Notes	2007 £m	2006 £m
<b>Cash flow from operating activities</b>			
Cash generated from operations	28	753	651
Interest paid		(152)	(186)
Interest element of finance lease rentals		(3)	(3)
Tax received		4	4
Tax paid		(121)	(97)
Net cash from/(used in) operating activities for continuing operations		481	369
Net cash from/(used in) operating activities for discontinued operations	29	(18)	178
<b>Net cash from/(used in) operating activities</b>		<b>463</b>	<b>547</b>
<b>Cash flow from investing activities</b>			
Purchase of subsidiary companies and investments in associated undertakings	27	(31)	(167)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities	6	782	1,807
Proceeds from sale of subsidiary companies and associated undertakings - other activities		32	-
Proceeds from sale of other investments		4	-
Tax on profits from sale of subsidiary companies and associated undertakings		(51)	(50)
Contribution of disposal proceeds to pension plans		(45)	(280)
Purchase of property, plant and equipment		(156)	(153)
Proceeds from sale of property, plant and equipment		22	20
Purchase of intangible assets and investments		(21)	(30)
Dividends received from associated undertakings		6	2
Interest received		28	15
Net cash from/(used in) investing activities by continuing operations		570	1,164
Net cash from/(used in) investing activities by discontinued operations	29	(30)	(105)
<b>Net cash from/(used in) investing activities</b>		<b>540</b>	<b>1,059</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of ordinary share capital	25	27	2
Purchase of own shares (net)		(576)	(148)
Net increase/(decrease) in borrowings	30	(239)	(647)
Repayment of obligations under finance leases	30	(15)	(15)
Equity dividends paid	9, 25	(208)	(213)
Dividends paid to minority interests	25	(3)	(11)
Net cash from/(used in) financing activities by continuing operations		(1,014)	(1,032)
Net cash from/(used in) financing activities by discontinued operations	29	-	-
<b>Net cash from/(used in) financing activities</b>		<b>(1,014)</b>	<b>(1,032)</b>
<b>Cash and cash equivalents</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	30	<b>(11)</b>	<b>574</b>
Cash and cash equivalents at beginning of the year	30	848	281
Exchange gains and losses on cash and cash equivalents	30	2	(7)
<b>Cash and cash equivalents at end of the year</b>	30	<b>839</b>	<b>848</b>

**Reconciliation of free cash flow from continuing operations**  
for the year ended 30 September 2007

	2007 £m	2006 £m
<b>Net cash from operating activities for continuing operations</b>	<b>481</b>	<b>369</b>
Purchase of property, plant and equipment	(156)	(153)
Proceeds from sale of property, plant and equipment	22	20
Purchase of intangible assets and investments	(21)	(30)
Dividends received from associated undertakings	6	2
Interest received	28	15
Dividends paid to minority interests	(3)	(11)
<b>Free cash flow from continuing operations</b>	<b>357</b>	<b>212</b>

## 1 Segmental reporting

Revenues	Geographical segments					Total £m
	North America	Continental Europe	United Kingdom	Rest of the World	Intra Group	
	£m	£m	£m	£m	£m	
<b>Year ended 30 September 2007</b>						
Total revenue	4,162	2,842	1,986	1,654	(18)	10,626
Less: inter-segment revenue	-	(7)	(7)	(4)	18	-
<b>External revenue</b>	<b>4,162</b>	<b>2,835</b>	<b>1,979</b>	<b>1,650</b>	<b>-</b>	<b>10,626</b>
Less: discontinued businesses	-	(282)	(48)	(28)	-	(358)
<b>External revenue - continuing</b>	<b>4,162</b>	<b>2,553</b>	<b>1,931</b>	<b>1,622</b>	<b>-</b>	<b>10,268</b>
<b>Year ended 30 September 2006</b>						
Total revenue	4,437	3,321	2,815	1,730	(39)	12,264
Less: inter-segment revenue	-	(13)	(10)	(16)	39	-
<b>External revenue</b>	<b>4,437</b>	<b>3,308</b>	<b>2,805</b>	<b>1,714</b>	<b>-</b>	<b>12,264</b>
Less: discontinued businesses	(147)	(824)	(923)	(103)	-	(1,997)
<b>External revenue - continuing</b>	<b>4,290</b>	<b>2,484</b>	<b>1,882</b>	<b>1,611</b>	<b>-</b>	<b>10,267</b>

Result	Geographical segments					Total £m
	North America	Continental Europe	United Kingdom	Rest of the World	Central activities	
	£m	£m	£m	£m	£m	
<b>Year ended 30 September 2007</b>						
Total operating profit before associates	261	181	107	57	(58)	548
Less: discontinued businesses	-	(30)	-	7	-	(23)
<b>Operating profit before associates - continuing</b>	<b>261</b>	<b>151</b>	<b>107</b>	<b>64</b>	<b>(58)</b>	<b>525</b>
Add: Share of profit of associates	1	-	3	-	-	4
<b>Operating profit - continuing</b>	<b>262</b>	<b>151</b>	<b>110</b>	<b>64</b>	<b>(58)</b>	<b>529</b>
Finance income						28
Finance costs						(115)
Hedge accounting ineffectiveness						(6)
<b>Profit before tax</b>						<b>436</b>
Income tax expense						(124)
<b>Profit for the year from continuing operations</b>						<b>312</b>
<b>Year ended 30 September 2006</b>						
Total operating profit before associates	247	177	125	46	(66)	529
Less: discontinued businesses	(2)	(55)	(18)	1	-	(74)
<b>Operating profit before associates - continuing</b>	<b>245</b>	<b>122</b>	<b>107</b>	<b>47</b>	<b>(66)</b>	<b>455</b>
Add: Share of profit of associates	1	-	1	-	-	2
<b>Operating profit - continuing</b>	<b>246</b>	<b>122</b>	<b>108</b>	<b>47</b>	<b>(66)</b>	<b>457</b>
Finance income						15
Finance costs						(160)
Hedge accounting ineffectiveness						11
<b>Profit before tax</b>						<b>323</b>
Income tax expense						(61)
<b>Profit for the year from continuing operations</b>						<b>262</b>

Russia and Turkey were transferred from the Rest of the World to the Continental Europe segment during the current reporting period to ensure alignment with the new management reporting structure. The 2006 segmental results have been restated on a consistent basis. The combined revenue and operating profit of these businesses was £46 million and £3 million respectively for the year ended 30 September 2006.

	Business segments			Total £m
	Contracts £m	Vending £m	Travel Concessions £m	
<b>Revenues</b>				
<b>Year Ended 30 September 2007</b>				
External revenue	9,843	783	-	10,626
Less: discontinued businesses	(33)	(325)	-	(358)
<b>External revenue - continuing</b>	<b>9,810</b>	<b>458</b>	<b>-</b>	<b>10,268</b>
<b>Year Ended 30 September 2006</b>				
External revenue	9,784	1,009	1,471	12,264
Transfers	77	-	(77)	-
Less: discontinued businesses	(121)	(482)	(1,394)	(1,997)
<b>External revenue - continuing</b>	<b>9,740</b>	<b>527</b>	<b>-</b>	<b>10,267</b>

The Travel Concessions businesses held on 30 September 2006 were transferred to the Contracts segment to ensure alignment with the new management reporting structure.

## 2 Operating costs

	2007 £m	2006 £m
<b>Operating costs</b>		
<i>Cost of food and materials:</i>		
Cost of inventories consumed	3,426	3,441
<i>Labour costs:</i>		
Employee benefit expense (note 3)	4,518	4,506
<i>Overheads:</i>		
Depreciation - owned property, plant and equipment	131	140
Depreciation - leased property, plant and equipment	11	11
Amortisation - owned intangible assets	31	37
Property lease rentals	52	56
Other occupancy rentals - minimum guaranteed rent	38	36
Other occupancy rentals - rent in excess of minimum guaranteed rent	4	4
Other asset rentals	55	60
Audit and non-audit services	5	7
Other expenses	1,472	1,514
<b>Total continuing operations</b>	<b>9,743</b>	<b>9,812</b>

The 2006 amounts in respect of rental expenses have been restated to reflect a more accurate classification of costs adopted in 2007.

Impairment of goodwill and inventories and net foreign exchange gains/losses recorded in income statement £nil (2006: £nil)

### 3 Employees

<b>Average number of employees, including directors and part-time employees</b>	2007 Number	2006 Number
North America	126,691	122,412
Continental Europe	66,990	67,302
United Kingdom	66,105	68,885
Rest of the World	101,541	96,633
Total continuing operations	361,327	355,232
Discontinued businesses	4,303	34,008
<b>Total continuing and discontinued</b>	<b>365,630</b>	<b>389,240</b>

<b>Aggregate remuneration of all employees including directors</b>	2007 £m	2006 £m
Wages and salaries	3,804	3,853
Social security costs	638	587
Share-based payments	24	21
Pension costs - defined contribution plans	34	27
Pension costs - defined benefit plans	18	18
Total continuing operations	4,518	4,506
Discontinued businesses	102	505
<b>Total continuing and discontinued</b>	<b>4,620</b>	<b>5,011</b>

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge to finance costs of £2 million (2006: £11 million)

### 4 Finance income and costs

<b>Finance income and costs</b>	2007 £m	2006 £m
<b>Finance income</b>		
Bank interest	28	15
<b>Finance costs</b>		
Bank loans and overdrafts	5	35
Other loans	104	107
Finance lease interest	3	3
Interest on bank loans, overdrafts, other loans and finance leases	112	145
Unwinding of discount on put options held by minority shareholders	1	4
Interest on pension scheme liabilities net of expected return on scheme assets (note 23)	2	11
<b>Total finance costs</b>	<b>115</b>	<b>160</b>
<b>Hedge accounting ineffectiveness</b>		
Unrealised net losses/(gains) on financial instruments	3	(11)
Unhedged translation losses on foreign currency borrowings	3	-
<b>Total hedge accounting ineffectiveness losses/(gains)</b>	<b>6</b>	<b>(11)</b>

## 5 Tax

### Recognised in the income statement: Income tax expense on continuing operations

	2007			2006		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Current year	149	-	149	146	(17)	129
Adjustment in respect of prior years	(27)	-	(27)	(40)	(5)	(45)
Current tax expense/(credit)	122	-	122	106	(22)	84
Current year	2	-	2	(1)	(22)	(23)
Impact of changes in statutory tax rates	6	-	6	-	-	-
Adjustment in respect of prior years	(6)	-	(6)	-	-	-
Deferred tax expense/(credit)	2	-	2	(1)	(22)	(23)
Income tax expense/(credit) on continuing operations	124	-	124	105	(44)	61

The income tax expense for the year is based on the United Kingdom statutory rate of corporation tax of 30% (2006: 30%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of changes in statutory tax rates relates principally to the reduction of the UK corporation tax rate from 30% to 28% from 1 April 2008. This change has resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

### Reconciliation of the income tax expense on continuing operations

	2007			2006		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Profit before tax from continuing operations before exceptional items	436	-	436	323	-	323
Notional income tax expense at the UK statutory rate of 30% on profit before tax	131	-	131	97	-	97
Effect of different tax rates of subsidiaries operating in other jurisdictions	19	-	19	20	-	20
Impact of changes in statutory tax rates	6	-	6	-	-	-
Permanent differences	3	-	3	22	-	22
Impact of share-based payments	-	-	-	3	-	3
Tax on profit of associates	(1)	-	(1)	(1)	-	(1)
Losses and other temporary differences not previously recognised	(10)	-	(10)	(7)	(27)	(34)
Unrelieved current year tax losses	9	-	9	7	-	7
Prior year items	(33)	-	(33)	(37)	(17)	(54)
Other	-	-	-	1	-	1
Income tax expense on continuing operations	124	-	124	105	(44)	61

### Tax credited/(charged) to equity

	2007			2006		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Deferred tax (charge)/credit on actuarial gains/losses on post-employment benefits	(6)	-	(6)	10	-	10
Tax on foreign exchange movements recognised in equity	13	-	13	(10)	-	(10)
Other current and deferred tax credits	1	-	1	3	-	3
Tax on items credited to equity	8	-	8	3	-	3
Recognition of deferred tax asset relating to currency translation differences in prior years	37	-	37	-	-	-
Tax credited to equity	45	-	45	3	-	3

<b>Movement in net deferred tax asset/(liability)</b>	Tax depreciation	Intangibles	Pensions and post-employment benefits	Tax losses	Self-funded insurance provisions	Net short-term temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 October 2005	(51)	12	172	12	19	17	181
Credit/(charge) to income	22	(8)	(23)	-	4	47	42
Credit/(charge) to equity	-	(9)	10	-	-	(3)	(2)
Transfer from/(to) current tax	-	-	(1)	-	-	-	(1)
Business disposals	4	(4)	-	(1)	-	4	3
Other movements	3	2	(1)	-	1	(9)	(4)
Exchange adjustment	1	5	(3)	(1)	(1)	(1)	-
At 30 September 2006	(21)	(2)	154	10	23	55	219
At 1 October 2006	(21)	(2)	154	10	23	55	219
Credit/(charge) to income	36	(12)	(45)	1	9	6	(5)
Credit/(charge) to equity	-	(7)	(8)	-	-	36	21
Transfer from/(to) current tax	(11)	-	-	-	-	-	(11)
Business disposals	11	-	(2)	-	-	-	9
Other movements	-	(1)	1	(2)	-	5	3
Exchange adjustment	2	-	(4)	-	(2)	3	(1)
At 30 September 2007	17	(22)	96	9	30	105	235

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:

<b>Net deferred tax balance</b>	2007 £m	2006 £m
Deferred tax assets	240	237
Deferred tax liabilities	(5)	(18)
Net deferred tax	<b>235</b>	<b>219</b>

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £43 million (2006: £55 million). Of the total, tax losses of £2 million will expire at various dates between 2009 and 2013. These deferred tax assets have not been recognised as the timing of recovery is uncertain. No deferred tax liability is recognised on temporary differences of £2,726 million (2006: £1,850 million) relating to the unremitted earnings of overseas operations as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 6 Discontinued operations

### Year ended 30 September 2007:

The Group disposed of its European vending business, Selecta, on 2 July 2007. The Group has also completed the sale and closure of a number of other small businesses as part of the exit from the discontinued travel concessions business. The results of all these businesses are classified as discontinued operations and are therefore excluded from the results of continuing operations in 2007. The 2006 results have been restated on a consistent basis. The process was complete by the end of the year and no assets or liabilities are classified as being held for sale as at 30 September 2007.

### Year ended 30 September 2006:

The Group disposed of its Inflight catering operations, which operated principally in Continental Europe, on 19 December 2005, and disposed of its travel concession catering business, Select Service Partner, including Creative Host Services in the US (together 'SSP') on 15 June 2006. The Group also discontinued its Middle East military catering operations and withdrew from or disposed of various other businesses. The results of these businesses are classified as discontinued operations and are therefore excluded from the results of continuing operations in 2006. This process was substantially complete by the end of the year and no assets or liabilities were classified as being held for sale at 30 September 2006.

	2007			2006			
	Selecta £m	Other* £m	Total £m	SSP £m	Selecta £m	Other** £m	Total £m
<b>Net assets disposed and disposal proceeds</b>							
Goodwill	411	2	413	798	-	51	849
Other intangible assets	-	-	-	10	-	-	10
Property, plant and equipment	144	2	146	755	-	125	880
Investments	-	-	-	5	-	3	8
Inventories	37	-	37	29	-	9	38
Trade and other receivables	58	3	61	74	-	49	123
Cash and cash equivalents	53	1	54	94	-	24	118
Gross assets disposed of	703	8	711	1,765	-	261	2,026
Trade and other payables	(100)	-	(100)	(208)	-	(51)	(259)
Post-employment benefit obligations	-	(3)	(3)	(10)	-	(4)	(14)
Tax	(15)	-	(15)	(6)	-	(6)	(12)
Minority interest	-	-	-	(1)	-	(5)	(6)
Other liabilities	(3)	(2)	(5)	-	-	(5)	(5)
Gross liabilities disposed of	(118)	(5)	(123)	(225)	-	(71)	(296)
Net assets disposed of	585	3	588	1,540	-	190	1,730
Liabilities retained	63	45	108	88	-	21	109
Cumulative exchange translation loss recycled on disposals (a)	-	-	-	2	-	-	2
Profit/(loss) on disposal	130	(27)	103	168	-	(54)	114
Consideration, net of costs	778	21	799	1,798	-	157	1,955
Consideration deferred to future periods	-	-	-	(37)	-	(8)	(45)
Cash disposed of	(53)	(1)	(54)	(94)	-	(24)	(118)
Cash inflow from current year disposals	725	20	745	1,667	-	125	1,792
Deferred consideration relating to previous disposals	-	37	37	-	-	15	15
Cash inflow from disposals	725	57	782	1,667	-	140	1,807

## Financial performance of discontinued operations

### Trading activities of discontinued operations

	2007			2006			
	Selecta £m	Other* £m	Total £m	SSP £m	Selecta £m	Other** £m	Total £m
External revenue	325	33	358	1,238	483	276	1,997
Inter-segment revenues	14	1	15	-	21	-	21
Total revenue	339	34	373	1,238	504	276	2,018
Operating costs	(307)	(43)	(350)	(1,209)	(456)	(279)	(1,944)
Trading activities of discontinued operations before exceptional costs	32	(9)	23	29	48	(3)	74
Exceptional operating costs (note 7)	-	-	-	-	-	(47)	(47)
Profit before tax	32	(9)	23	29	48	(50)	27
Income tax expense (see below)	(8)	-	(8)	(7)	(8)	1	(14)
Profit after tax	24	(9)	15	22	40	(49)	13

### Exceptional items: disposal of net assets and other adjustments relating to discontinued operations

Profit on disposal of net assets of discontinued operations	130	18	148	170	-	(54)	116
Increase in provisions related to discontinued operations (b)	-	(45)	(45)	-	-	-	-
Cumulative translation exchange loss recycled on disposals (a)	-	-	-	(2)	-	-	(2)
Profit on disposal before tax	130	(27)	103	168	-	(54)	114
Tax	(1)	95	94	(99)	-	5	(94)
Total profit after tax	129	68	197	69	-	(49)	20

### Profit/(loss) for the year of discontinued operations

Profit/(loss) for the year of discontinued operations	153	59	212	91	40	(98)	33
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### Tax from discontinued operations

#### Income tax expense on trading activities of discontinued operations

	2007			2006			
	Selecta £m	Other* £m	Total £m	SSP £m	Selecta £m	Other** £m	Total £m
Current tax	(7)	-	(7)	(9)	(12)	1	(20)
Deferred tax	(1)	-	(1)	2	4	-	6
Income tax on discontinued operations (expense)	(8)	-	(8)	(7)	(8)	1	(14)

#### Exceptional items: tax on disposal of net assets and other adjustments relating to discontinued operations

Current tax	(1)	18	17	(117)	-	11	(106)
Deferred tax	-	(2)	(2)	18	-	(6)	12
Exceptional tax credit (note 7)	-	79	79	-	-	-	-
Tax on disposal of net assets of discontinued operations (expense)	(1)	95	94	(99)	-	5	(94)

### Total tax from discontinued operations

Total tax from discontinued operations (expense)	(9)	95	86	(106)	(8)	6	(108)
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\* Travel concessions and various other non-core businesses and adjustments to prior year disposals

\*\* Middle East military catering operations and various other non-core businesses

(a) The Group manages foreign currency exposures in accordance with the policies set-out in note 20, matching its principal projected cash flows by currency to actual or effective borrowings in the same currency. As a result the cumulative exchange translation loss recycled on disposals is £nil (2006: £2 million).

(b) Additional provisions established in respect of the prior year disposal of travel concessions catering businesses and in respect of Middle East military catering operations discontinued in the prior year.

## 7 Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to clearly explain the financial performance of the Group. Items reported as exceptional are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Exceptional items	2007 £m	2006 £m
<b>Continuing operations</b>		
Current year tax	-	5
Adjustment in respect of prior years tax	-	17
Current year tax	-	22
Current year deferred tax	-	22
Adjustment in respect of prior years deferred tax	-	-
Current year deferred tax	-	22
<b>Continuing operations (note 5)</b>	<b>-</b>	<b>44</b>
<b>Discontinued operations</b>		
Profit on disposal of net assets and other adjustments relating to discontinued operations net of tax (note 6)	<b>197</b>	20
Settlement of UN contract claims and related expenses	-	(39)
Middle East military catering business	-	(8)
<b>Discontinued operations</b>	<b>197</b>	<b>(27)</b>
<b>Continuing and discontinued operations</b>		
<b>Total</b>	<b>197</b>	<b>17</b>

### Year ended 30 September 2007:

The Group disposed of its European vending business, Selecta, on 2 July 2007 for a net profit after tax of £129 million.

The Group also completed the sale and closure of a number of other small businesses as part of the exit from discontinued operations, and established additional provisions totalling £45 million in respect of prior year disposals in these areas, resulting in a net loss after tax of £11 million before the release of net tax provisions of £79 million. These provisions were released following the settlement of a number of long-standing issues connected with prior year discontinued activities. The total net profit after tax arising on disposal of these operations was £68 million.

Overall an exceptional net credit of £197 million was recognised in the period.

### Year ended 30 September 2006:

A £44 million exceptional tax credit arose in respect of previously unrecognised tax losses and tax deductions in respect of pension prepayments in the UK tax group that originated in previous years.

£39 million was charged to complete investigations and to settle lawsuits for lost profits brought by two competitors of the Group, ES-KO International Inc and Supreme Foodservice AG in relation to contracts awarded to Eurest Support Services by the United Nations.

£8 million was provided to settle claims arising in respect of the discontinued Middle East military catering operations.

A profit of £20 million (net of cumulative translation exchange losses and tax) was recognised in respect of the disposal of the Group's Inflight catering services business on 19 December 2005 and its travel concessions catering business ("SSP") on 15 June 2006.

## 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 period. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued activities and exceptional items; these are disclosed to show the underlying trading performance of the Group.

	2007 Attributable profit £m	2006 Attributable profit £m
<b>Attributable profit</b>		
Profit for the year attributable to equity shareholders of the Company	515	285
Less: profit for the year from discontinued operations	(212)	(33)
Attributable profit for the year from continuing operations	303	252
Less: profit from exceptional items included in continuing operations (net of tax)	-	(44)
Attributable profit for the year from continuing operations before exceptional items	303	208
Add back: loss/(profit) from hedge accounting ineffectiveness (net of tax)	4	(7)
<b>Underlying attributable profit for the year from continuing operations before exceptional items</b>	<b>307</b>	<b>201</b>
<b>Average number of shares (millions of ordinary shares of 10p each)</b>		
	2007 Ordinary shares of 10p each Millions	2006 Ordinary shares of 10p each Millions
Average number of shares for basic earnings per share	2,015	2,147
Dilutive share options	11	3
<b>Average number of shares for diluted earnings per share</b>	<b>2,026</b>	<b>2,150</b>
<b>Basic earnings per share (pence)</b>		
	2007 Earnings per share pence	2006 Earnings per share pence
From continuing and discontinued operations	25.6	13.3
From discontinued operations	(10.6)	(1.6)
From continuing operations	15.0	11.7
Exceptional items included in continuing operations (net of tax)	-	(2.0)
From continuing operations before exceptional items	15.0	9.7
Hedge accounting ineffectiveness (net of tax)	0.2	(0.3)
<b>From underlying continuing operations before exceptional items</b>	<b>15.2</b>	<b>9.4</b>
<b>Diluted earnings per share (pence)</b>		
From continuing and discontinued operations	25.4	13.3
From discontinued operations	(10.4)	(1.6)
From continuing operations	15.0	11.7
Exceptional items included in continuing operations (net of tax)	-	(2.0)
From continuing operations before exceptional items	15.0	9.7
Hedge accounting ineffectiveness (net of tax)	0.2	(0.4)
<b>From underlying continuing operations before exceptional items</b>	<b>15.2</b>	<b>9.3</b>

## 9 Dividends

A final dividend in respect of 2007 of 7.2 pence per share, £139 million in aggregate,\* is to be proposed at the Annual General Meeting on 8 February 2008 giving a total dividend in respect of 2007 of 10.8 pence per share (2006: 10.1 pence per share). These financial statements do not include the accrual for this final dividend.

	2007		2006	
	Dividends per share pence	£m	Dividends per share pence	£m
<b>Dividends on ordinary shares of 10p each</b>				
Amounts recognised as distributions to equity shareholders during the year:				
Final dividend for the prior year	6.7p	136	6.5p	140
Interim dividend for the current year	3.6p	72	3.4p	73
<b>Total dividends</b>	<b>10.3p</b>	<b>208</b>	<b>9.9p</b>	<b>213</b>

\* Based on the number of shares in issue at 30 September 2007.

## 10 Goodwill

During the year the Group acquired the remaining 5% of its Italian subsidiary Onama S.p.A. It also made a number of small acquisitions in North America and the Rest of the World. This is reflected in the £12 million addition to goodwill shown below.

### Goodwill

	£m
<b>Cost</b>	
At 1 October 2005	4,327
Additions arising from acquisitions	152
Reclassified	(6)
Business disposals – discontinued activities	(849)
Currency adjustment	(66)
At 30 September 2006	3,558
At 1 October 2006	3,558
Additions arising from acquisitions	12
Reclassified	-
Business disposals – discontinued activities	(413)
Currency adjustment	(65)
At 30 September 2007	3,092
<b>Impairment</b>	
At 1 October 2005	107
Impairment charge recognised in the year	-
At 30 September 2006	107
At 1 October 2006	107
Impairment charge recognised in the year	-
At 30 September 2007	107
<b>Net book amounts</b>	
At 30 September 2006	3,451
At 30 September 2007	2,985

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.

	2007 £m	2006			
		Original £m	Transfers £m	Disposals £m	After Disposals £m
<b>Goodwill by business segment</b>					
USA	757	825	-	-	825
Rest of North America	87	83	-	-	83
Total North America	844	908	-	-	908
Continental Europe	161	500	2	(352)	150
United Kingdom	1,733	1,798	-	(65)	1,733
Rest of the World	247	245	(2)	-	243
Continuing Business	2,985	3,451	-	(417)	3,034
Discontinued Business	-	-	-	417	417
Total	2,985	3,451	-	-	3,451

Russia and Turkey were transferred from the Rest of the World to the Continental Europe segment during the current reporting period to ensure alignment with the new management reporting structure. The transfers column adjusts prior year goodwill so that it is on a consistent basis.

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 has been 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.

<b>Growth and discount rates</b>	Residual Growth rates	Pre-tax discount rates
USA	2.8%	12.2%
Rest of North America	2.2%	10.4%
Continental Europe	0.6 - 2.7%	7.0 - 10.7%
United Kingdom	2.5%	9.8%
Rest of the World	(0.3) - 9.0%	6.5 - 17.6%

## 11 Other intangible assets

<b>Other intangible assets</b>	Contract related £m	Computer software £m	Total £m
<b>Cost</b>			
At 1 October 2005	81	173	254
Additions	16	15	31
Disposals	(3)	-	(3)
Business acquisitions	(1)	-	(1)
Business disposals – discontinued activities	(3)	(20)	(23)
Reclassified	10	-	10
Currency adjustment	(6)	(3)	(9)
<b>At 30 September 2006</b>	<b>94</b>	<b>165</b>	<b>259</b>
At 1 October 2006	<b>94</b>	<b>165</b>	<b>259</b>
Additions	<b>16</b>	<b>5</b>	<b>21</b>
Disposals	<b>(10)</b>	<b>(22)</b>	<b>(32)</b>
Business acquisitions	<b>1</b>	<b>-</b>	<b>1</b>
Business disposals – discontinued activities	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>
Reclassified	<b>12</b>	<b>2</b>	<b>14</b>
Currency adjustment	<b>(3)</b>	<b>(2)</b>	<b>(5)</b>
<b>At 30 September 2007</b>	<b>107</b>	<b>147</b>	<b>254</b>
<b>Amortisation</b>			
At 1 October 2005	23	63	86
Charge for the year	13	25	38
Disposals	(1)	-	(1)
Business disposals – discontinued activities	-	(13)	(13)
Reclassified	-	-	-
Currency adjustment	(2)	(1)	(3)
<b>At 30 September 2006</b>	<b>33</b>	<b>74</b>	<b>107</b>
At 1 October 2006	<b>33</b>	<b>74</b>	<b>107</b>
Charge for the year	<b>14</b>	<b>17</b>	<b>31</b>
Disposals	<b>(8)</b>	<b>(21)</b>	<b>(29)</b>
Business disposals – discontinued activities	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>
Reclassified	<b>8</b>	<b>-</b>	<b>8</b>
Currency adjustment	<b>(1)</b>	<b>-</b>	<b>(1)</b>
<b>At 30 September 2007</b>	<b>43</b>	<b>69</b>	<b>112</b>
<b>Net book amounts</b>			
At 30 September 2006	61	91	152
<b>At 30 September 2007</b>	<b>64</b>	<b>78</b>	<b>142</b>

Contract related intangible assets 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.

## 12 Property, plant and equipment

### Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixture and fittings £m	Total £m
<b>Cost</b>				
At 1 October 2005	973	1,346	768	3,087
Additions	22	193	69	284
Disposals	(19)	(75)	(77)	(171)
Business acquisitions	-	-	4	4
Business disposals – discontinued activities	(679)	(328)	(283)	(1,290)
Reclassified	15	(59)	28	(16)
Currency adjustment	(19)	(41)	(12)	(72)
At 30 September 2006	293	1,036	497	1,826

At 1 October 2006	293	1,036	497	1,826
Additions	18	144	43	205
Disposals	(46)	(121)	(63)	(230)
Business acquisitions	-	-	-	-
Business disposals – discontinued activities	(16)	(318)	(58)	(392)
Reclassified	(32)	46	(17)	(3)
Currency adjustment	(7)	(30)	1	(36)
At 30 September 2007	210	757	403	1,370

### Depreciation

At 1 October 2005	220	800	410	1,430
Charge for the year	24	152	67	243
Disposals	(9)	(75)	(52)	(136)
Business disposals – discontinued activities	(112)	(171)	(127)	(410)
Reclassified	(3)	(7)	(6)	(16)
Currency adjustment	(8)	(26)	(7)	(41)
At 30 September 2006	112	673	285	1,070

At 1 October 2006	112	673	285	1,070
Charge for the year	14	110	46	170
Disposals	(27)	(107)	(52)	(186)
Business disposals – discontinued activities	(7)	(197)	(42)	(246)
Reclassified	4	(4)	3	3
Currency adjustment	1	(20)	2	(17)
At 30 September 2007	97	455	242	794

### Net book amounts

At 30 September 2006	181	363	212	756
At 30 September 2007	113	302	161	576

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 2006	5	39	6	50
At 30 September 2007	2	41	2	45

### 13 Interests in associates

During the year the Group sold half of its 25% interest in its former associate Au Bon Pain leaving it with a 12.5% shareholding. This shareholding is now accounted for as an investment (note 14).

#### Principal associates

	Country of incorporation	
Twickenham Experience Ltd	England & Wales	
Oval Events Limited	England & Wales	
Thompson Hospitality Services LLC	USA	

Interests in associates	2007 £m	2006 £m
<b>Net book value</b>		
At 1 October	39	45
Additions	-	-
Business disposals – discontinued activities	-	(5)
Business disposals – other activities	(7)	-
Share of profits less losses (net of tax)	4	2
Dividends received	(6)	(2)
Reclassified to investments (note 14)	(6)	-
Currency and other adjustments	1	(1)
At 30 September	25	39

The Group's share of revenues and profits (including those from Au Bon Pain up to the date the Group reduced its shareholding to 12.5%) is included below:

#### Share of revenue and profits

Revenue	37	50
Expenses	(33)	(48)
Profit after tax for the year	4	2

#### Share of net assets

Goodwill	19	25
Other	6	14
Net assets	25	39

#### Share of Contingent liabilities

Contingent liabilities	-	-
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## 14 Other investments

Other investments	2007	2006
<b>Net book value</b>		
At 1 October	9	6
Additions	2	2
Business disposals – discontinued activities	-	(2)
Business disposals – other activities	(4)	-
Reclassified from interests in associates (note 13)	6	-
Currency and other adjustments	(1)	3
<b>At 30 September</b>	<b>12</b>	<b>9</b>
<b>Comprised of</b>		
Debenture and other holdings in sports and leisure venues	1	4
Investment in Au Bon Pain	6	-
Other investments	5	5
<b>Total</b>	<b>12</b>	<b>9</b>

## 15 Joint ventures

During the year the Group's joint venture partner in Turkey exercised an option to acquire 4% of the share capital of Sofra Yemek Üretim Ve Hizmet AS, reducing the Group's holding to 50%. This did not affect the treatment of Sofra which was accounted for as a joint venture in the prior year as the partners worked with equal powers to control the entity.

Principal joint ventures	Country of incorporation	% ownership
GR SA	Brazil	50
Radhakrishna Hospitality Services Ltd	India	50
Sofra Yemek Üretim Ve Hizmet AS	Turkey	50
ADNH-Compass Middle East LLC	United Arab Emirates	50

  

Joint ventures	2007	2006
	£m	£m
<b>Share of revenue and profits</b>		
Revenue	318	282
Expenses	(291)	(266)
<b>Profit after tax for the year</b>	<b>27</b>	<b>16</b>
<b>Share of net assets</b>		
Non-current assets	34	40
Current assets	66	72
Non-current liabilities	(6)	(10)
Current liabilities	(56)	(51)
<b>Net assets</b>	<b>38</b>	<b>51</b>
<b>Share of Contingent liabilities</b>		
Contingent liabilities	10	3

## 16 Trade and other receivables

	2007		2006	
	Current £m	Non-current £m	Current £m	Non-current £m
<b>Trade and other receivables</b>				
Trade receivables	1,196	4	1,212	4
Less: provision for the impairment of receivables	(47)	-	(41)	-
Net trade receivables	1,149	4	1,171	4
Amounts owed by associates	5	1	-	1
Other receivables	63	54	151	100
Prepayments and accrued income	126	7	102	12
<b>Trade and other receivables</b>	<b>1,343</b>	<b>66</b>	<b>1,424</b>	<b>117</b>

The book value of net trade receivables approximates to their fair value because of the short-term nature of the receivables.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's customer base.

Trade receivable days for the continuing business at 30 September 2007 were 50 days (2006: 51 days).

## 17 Inventories

	2007 £m	2006 £m
<b>Inventories</b>		
Food and beverage inventories	135	154
Other inventories	44	58
<b>Inventories</b>	<b>179</b>	<b>212</b>

## 18 Cash and cash equivalents

	2007 £m	2006 £m
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	140	153
Short-term bank deposits	699	695
<b>Cash and cash equivalents</b>	<b>839</b>	<b>848</b>

	2007 £m	2006 £m
<b>Cash and cash equivalents by currency</b>		
Sterling	685	741
US dollar	45	20
Euro	35	53
Japanese yen	5	3
Other	69	31
<b>Cash and cash equivalents</b>	<b>839</b>	<b>848</b>

## 19 Short-term and long-term borrowings

Short-term and long-term borrowings	2007			2006		
	Current	Non-current	Total	Current	Non-current	Total
	£m	£m	£m	£m	£m	£m
Bank overdrafts	118	-	118	56	-	56
Bank loans	19	17	36	15	22	37
Loan notes	-	380	380	33	421	454
Bonds	-	1,019	1,019	-	1,350	1,350
Borrowings (excluding finance leases)	137	1,416	1,553	104	1,793	1,897
Finance leases	14	36	50	15	42	57
Borrowings (including finance leases)	151	1,452	1,603	119	1,835	1,954

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. Bonds are unsecured and are comprised as follows:

Bonds	Nominal value	Redeemable	Interest
Euro Eurobond	€300m	2009	6.0%
Sterling Eurobond	£200m	2010	7.125%
Sterling Eurobond	£325m	2012	6.375%
Sterling Eurobond	£250m	2014	7.0%

The bond redeemable in 2014 is recorded at its fair value to the Group on acquisition.

The Group has fixed term, fixed interest private placements totalling US\$769 million (£377 million) at interest rates between 5.11% and 7.955%. US\$15 million (£7 million) is repayable in 5 to 10 years. The carrying value of these loan notes is £380m.

### Maturity profile of borrowings (excluding finance leases)

	2007	2006
	£m	£m
Within 1 year, or on demand	137	104
Between 1 and 2 years	292	7
Between 2 and 3 years	224	606
Between 3 and 4 years	63	228
Between 4 and 5 years	550	72
In more than 5 years	287	880
Borrowings (excluding finance leases)	1,553	1,897

### Carrying value/fair value of borrowings (excluding finance leases)

Carrying value/fair value of borrowings (excluding finance leases)	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
€300m/€750m Eurobond 2009*	212	214	519	531
£200m Eurobond 2010	201	204	204	208
£325m Eurobond 2012	328	324	339	333
£250m Eurobond 2014	278	258	288	266
US private placements	380	392	448	478
Other loan notes	-	-	6	6
Bank loans	36	37	37	36
Overdrafts	118	118	56	56
Borrowings (excluding finance leases)	1,553	1,547	1,897	1,914

\*€450m of Eurobonds due in 2009 were repurchased during the current year leaving €300m outstanding.

	2007		2006	
	Gross	Present value	Gross	Present value
	£m	£m	£m	£m
<b>Present value of finance lease liabilities</b>				
<i>Finance lease payments falling due:</i>				
Within 1 year	16	14	18	15
In 2 to 5 years	32	28	35	33
In more than 5 years	9	8	11	9
	57	50	64	57
Less: future finance charges	(7)	-	(7)	-
<b>Present value of finance lease liabilities</b>	<b>50</b>	<b>50</b>	<b>57</b>	<b>57</b>

	2007			2006		
	Borrowings	Finance leases	Total	Borrowings	Finance leases	Total
	£m	£m	£m	£m	£m	£m
<b>Borrowings by currency</b>						
Sterling	831	1	832	849	3	852
US dollar	452	24	476	481	25	506
Euro	237	21	258	525	22	547
Japanese yen	16	-	16	22	1	23
Other	17	4	21	20	6	26
<b>Total</b>	<b>1,553</b>	<b>50</b>	<b>1,603</b>	<b>1,897</b>	<b>57</b>	<b>1,954</b>

The Group had the following undrawn committed facilities available at 30 September 2007, in respect of which all conditions precedent had then been met:

	2007	2006
	£m	£m
<b>Undrawn committed facilities</b>		
Expiring between 2 and 5 years	<b>630</b>	<b>960</b>

## 20 Derivative financial instruments

The Group continues to manage its interest rate and foreign currency exposure in accordance with the policies set out in the Company's Annual Report.

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

## 21 Trade and other payables

	2007		2006	
	Current £m	Non- current £m	Current £m	Non- current £m
<b>Trade and other payables</b>				
Trade payables	660	4	777	4
Amounts owed to associates	-	-	-	-
Social security and other taxes	190	-	176	-
Other payables	169	18	210	28
Deferred consideration on acquisitions	3	3	20	3
Liability on put options held by minority equity partners	-	8	9	8
Accruals and deferred income	811	3	798	3
<b>Trade and other payables</b>	<b>1,833</b>	<b>36</b>	<b>1,990</b>	<b>46</b>

The directors consider that the carrying amount of trade payables approximates to their fair value.

Trade payable days for the continuing business at 30 September 2007 were 48 days (2006: 48 days).

## 22 Provisions

Provisions	Provisions in respect of discontinued and disposed businesses					Total £m
	Insurance £m	Onerous contracts £m	Legal and other claims £m	Environmental £m		
At 1 October 2005	59	-	24	59	11	153
Reclassified	67	-	14	(10)	(1)	70
Expenditure in the year	(40)	(1)	(1)	(5)	-	(47)
Charged to income statement	45	109	8	-	-	162
Credited to income statement	-	-	(1)	(5)	-	(6)
Transferred to post-employment benefit obligations	(20)	-	-	-	-	(20)
Currency adjustment	(4)	-	-	(1)	-	(5)
<b>At 30 September 2006</b>	<b>107</b>	<b>108</b>	<b>44</b>	<b>38</b>	<b>10</b>	<b>307</b>
At 1 October 2006	107	108	44	38	10	307
Reclassified	-	-	3	4	(4)	3
Expenditure in the year	(7)	(14)	(6)	-	(1)	(28)
Charged to income statement	19	108	5	30	3	165
Credited to income statement	-	(2)	-	-	-	(2)
Transferred to post-employment benefit obligations	-	-	-	-	-	-
Currency adjustment	(7)	-	-	(1)	-	(8)
<b>At 30 September 2007</b>	<b>112</b>	<b>200</b>	<b>46</b>	<b>71</b>	<b>8</b>	<b>437</b>

Provisions	2007 £m	2006 £m
Non-current	351	242
Current	86	65
<b>Total provisions</b>	<b>437</b>	<b>307</b>

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.

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

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

Environmental provisions are in respect of potential liabilities relating to the Group's responsibility for maintaining its operating sites in accordance with statutory requirements and the Group's aim to have a low impact on the environment. These provisions are expected to be utilised as operating sites are disposed of or as environmental matters are resolved.

## 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 finances. 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 6% - 30% of pensionable salaries.

The contributions payable for defined contribution schemes of £36 million (2006: £33 million) have been fully expensed against profits in the current year.

#### Total pension costs/(credits) recognised in the income statement

	2007				2006			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Current service cost	12	3	12	27	19	3	16	38
Past service credit	-	(1)	-	(1)	-	(2)	-	(2)
Curtailement credit	-	-	(6)	(6)	(6)	(6)	-	(12)
Charged/(credited) to operating expenses	12	2	6	20	13	(5)	16	24
Amount charged to pension liability	64	8	8	80	59	9	8	76
Expected return on plan assets	(67)	(5)	(6)	(78)	(54)	(5)	(6)	(65)
(Credited) / charged to finance costs	(3)	3	2	2	5	4	2	11
<b>Total pension costs/(credits)</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>22</b>	<b>18</b>	<b>(1)</b>	<b>18</b>	<b>35</b>

The total pension costs/(credits) shown above relate to both continuing and discontinued business.

#### Fair value of pension plan assets recognised in the balance sheet

	2007				2006			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
At 1 October	1,174	68	166	1,408	812	71	157	1,040
Currency adjustment	-	(6)	1	(5)	-	(4)	(8)	(12)
Expected return on plan assets	67	5	6	78	54	5	6	65
Actuarial gain*	14	5	3	22	27	-	12	39
Employee contributions	4	-	4	8	5	-	4	9
Employer contributions	68	17	25	110	314	5	10	329
Asset transfer from Granada scheme	-	-	-	-	3	-	-	3
Benefits paid	(47)	(20)	(13)	(80)	(41)	(9)	(6)	(56)
Merger of Vendepac Scheme into the UK Scheme	10	-	(10)	-	-	-	-	-
Disposals & plan settlements	-	-	(99)	(99)	-	-	(9)	(9)
<b>At 30 September</b>	<b>1,290</b>	<b>69</b>	<b>83</b>	<b>1,442</b>	<b>1,174</b>	<b>68</b>	<b>166</b>	<b>1,408</b>

**Present value of defined benefit obligations recognised in the balance sheet**

	2007				2006			
	UK	USA	Other	Total	UK	USA	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October	1,269	155	266	1,690	1,179	166	250	1,595
Currency adjustment	-	(11)	2	(9)	-	(9)	(9)	(18)
Current service cost	12	3	12	27	19	3	16	38
Past service cost	-	(1)	-	(1)	-	(2)	-	(2)
Curtailed credit	-	-	(6)	(6)	(6)	(6)	-	(12)
Amount charged to plan liabilities	64	8	8	80	59	9	8	76
Actuarial (gain)/loss*	(84)	(5)	(19)	(108)	55	5	16	76
Employee contributions	4	-	4	8	5	-	4	9
Benefits paid	(47)	(20)	(13)	(80)	(41)	(9)	(6)	(56)
Benefits paid by the Group	-	-	-	-	(1)	-	(6)	(7)
Merger of Vendepac Scheme into the UK Scheme	10	-	(10)	-	-	-	-	-
Disposals and plan settlements	-	-	(103)	(103)	-	-	(23)	(23)
Other balance sheet transfers	-	-	14	14	-	-	20	20
Reclassified	-	-	-	-	-	(2)	(4)	(6)
<b>At 30 September</b>	<b>1,228</b>	<b>129</b>	<b>155</b>	<b>1,512</b>	<b>1,269</b>	<b>155</b>	<b>266</b>	<b>1,690</b>

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

**Experience adjustments**

	2007 £m	2006 £m	2005 £m
Present value of defined benefit plan liabilities	1,512	1,690	1,595
Fair value of plan assets	(1,442)	(1,408)	(1,040)
Surplus not recognised in accordance with IFRIC 14*	92	-	-
<b>Net deficit reported</b>	<b>162</b>	<b>282</b>	<b>555</b>
Experience adjustments on plan liabilities – (loss)	(15)	(14)	(8)
Experience adjustments on plan assets – gain	22	39	75

The Group made total contributions of £110 million in the year (2006: £329 million) including special contributions of disposal proceeds to pension plans of £45 million (2006: £280 million) and expects to make regular ongoing contributions of £38 million in 2008.

The expected return on plan assets is based on market expectations at the beginning of the period. The actual return on assets was £100 million (2006: £104 million).

The cumulative actuarial loss recognised in the statement of recognised income and expense was £156 million (2006: £194 million). An actuarial gain of £38 million (2006: actuarial loss £37 million) was recognised during the year.

The deficit would have reduced to £70 million if the full surplus on certain schemes had been fully recognised. IFRIC 14 only permits the recognition of a pension fund surplus where a company can clearly demonstrate that it can access the surplus through, for example, reduced future contributions. The Group has taken the prudent view that it will not be able to access these surpluses, totalling £92 million, in the foreseeable future.

\*The actuarial gain/loss reported in the Consolidated statement of income and expense is the sum of the items marked with an asterisk.

## 24 Called up share capital

During the year 4,463,879 options were granted under the Compass Group Management Share Option Plan. 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.

The Company commenced an on market share buy-back programme following the disposal of Select Service Partner in June 2006. This programme was extended following the disposal of Selecta in July 2007. During the year, a total of 181,407,434 ordinary shares of 10p each were repurchased for consideration of £575 million and cancelled.

Authorised and allotted share capital	2007		2006	
	Number of shares	£m	Number of shares	£m
Authorised:				
– Ordinary shares of 10p each	<b>3,000,010,000</b>	<b>300</b>	3,000,010,000	300
Allotted and fully paid:				
– Ordinary shares of 10p each	<b>1,926,996,323</b>	<b>193</b>	2,098,723,901	210
	2007		2006	
	Number of shares		Number of shares	
Ordinary shares of 10p each allotted as at 1 October	<b>2,098,723,901</b>		2,155,661,135	
Ordinary shares allotted during the year on exercise of share options	<b>9,679,856</b>		743,766	
Repurchase of ordinary share capital	<b>(181,407,434)</b>		(57,681,000)	
Ordinary shares of 10p each allotted as at 30 September	<b>1,926,996,323</b>		2,098,723,901	

## 25 Reconciliation of movements in equity

Reconciliation of movements in equity	Attributable to equity shareholders of the Company							Minority interests	Total
	Share capital	Share premium account	Capital redemption reserve	Own shares	Other reserves	Retained earnings			
	£m	£m	£m	£m	£m	£m	£m		
At 1 October 2005	216	94	9	(1)	4,137	(2,204)	27	2,278	
Total recognised income and expense	-	-	-	-	(12)	260	6	254	
Issue of shares	-	2	-	-	-	-	-	2	
Fair value of share-based payments (net)	-	-	-	-	25	-	-	25	
Share buy back	(6)	-	6	-	-	(149)	-	(149)	
Transfer on exercise of put options	-	-	-	-	138	3	(10)	131	
Other changes	-	-	-	1	-	-	(6)	(5)	
	210	96	15	-	4,288	(2,090)	17	2,536	
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(213)	-	(213)	
Dividends paid to minority interest	-	-	-	-	-	-	(11)	(11)	
At 30 September 2006	210	96	15	-	4,288	(2,303)	6	2,312	
At 1 October 2006	<b>210</b>	<b>96</b>	<b>15</b>	<b>-</b>	<b>4,288</b>	<b>(2,303)</b>	<b>6</b>	<b>2,312</b>	
Total recognised income and expense	-	-	-	-	1	575	19	595	
Issue of shares	1	26	-	-	-	-	-	27	
Fair value of share-based payments (net)	-	-	-	-	14	-	-	14	
Share buy back	(18)	-	18	-	-	(575)	-	(575)	
Transfer on exercise of put options	-	-	-	-	9	-	-	9	
Other changes	-	-	-	(1)	-	-	-	(1)	
	193	122	33	(1)	4,312	(2,303)	25	2,381	
Dividends paid to Compass shareholders (note 9)	-	-	-	-	-	(208)	-	(208)	
Dividends paid to minority interest	-	-	-	-	-	-	(3)	(3)	
At 30 September 2007	<b>193</b>	<b>122</b>	<b>33</b>	<b>(1)</b>	<b>4,312</b>	<b>(2,511)</b>	<b>22</b>	<b>2,170</b>	

Own shares held by the Group represent 161,012 shares in Compass Group PLC (2006: 161,600 shares). All shares are held by the Compass Group Employee Share Trust ('ESOP'). These shares are listed on a recognised stock exchange and their market value at 30 September 2007 was £0.5 million (2006: £0.4 million). The nominal value held at 30 September 2007 was £16,101 (2006: £16,160).

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

The analysis of other reserves is shown below.

<b>Other reserves</b>	Share-based payment reserve £m	Merger reserve £m	Translation reserve £m	Hedging reserve £m	Equity adjustment for put options £m	Total other reserves £m
At 1 October 2005	105	4,170	16	1	(155)	4,137
Total recognised income and expense	-	-	(11)	(1)	-	(12)
Fair value of share-based payments	25	-	-	-	-	25
Settled in cash or existing shares (purchased in market)	-	-	-	-	-	-
Transfer on exercise of put options	-	-	-	-	138	138
<b>At 30 September 2006</b>	<b>130</b>	<b>4,170</b>	<b>5</b>	<b>-</b>	<b>(17)</b>	<b>4,288</b>
At 30 September 2006	130	4,170	5	-	(17)	4,288
Total recognised income and expense	-	-	1	-	-	1
Fair value of share-based payments	25	-	-	-	-	25
Settled in cash or existing shares (purchased in market)	(11)	-	-	-	-	(11)
Transfer on exercise of put options	-	-	-	-	9	9
<b>At 30 September 2007</b>	<b>144</b>	<b>4,170</b>	<b>6</b>	<b>-</b>	<b>(8)</b>	<b>4,312</b>

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

## 26 Share-based payments

Full details of the Compass Group Share Option Plan ('Option Plan'), the Management Share Option Plan ('Management Plan') and the Savings-related Share Option Scheme can be found in the Company's Annual Report.

## 27 Business combinations

There were no significant acquisitions in the year.

## 28 Reconciliation of operating profit to cash generated by operations

	2007 £m	2006 £m
<b>Reconciliation of operating profit to cash generated by operations</b>		
Operating profit from continuing operations	<b>525</b>	455
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	<b>142</b>	151
Amortisation of intangible fixed assets	<b>31</b>	37
Loss on disposal of property, plant and equipment	<b>5</b>	5
Increase/(decrease) in provisions	<b>43</b>	(3)
Decrease in pensions liability	<b>(42)</b>	(35)
Share-based payments – charged to profits*	<b>23</b>	21
Share-based payments – settled in cash or existing shares**	<b>(11)</b>	-
Operating cash flows before movement in working capital	<b>716</b>	631
(Increase)/decrease in inventories	<b>(7)</b>	(4)
(Increase)/decrease in receivables	<b>8</b>	(33)
Increase/(decrease) in payables	<b>36</b>	57
<b>Cash generated by operations</b>	<b>753</b>	651

\* £24 million share based payments charge - £1 million credit in respect of cash-settled phantom share options.  
\*\* It was originally anticipated these payments would be satisfied by the issue of new shares.

## 29 Cash flow from discontinued operations

	2007 £m	2006 £m
<b>Cash flow from discontinued operations</b>		
<b>Net cash from operating activities for discontinued operations</b>		
Cash generated from discontinued operations	<b>(11)</b>	193
Tax paid	<b>(7)</b>	(15)
<b>Net cash from operating activities for discontinued operations</b>	<b>(18)</b>	178
<b>Net cash used in investing activities by discontinued operations</b>		
Purchase of property, plant and equipment	<b>(34)</b>	(116)
Proceeds from sale of property, plant and equipment	<b>4</b>	11
<b>Net cash used in investing activities by discontinued operations</b>	<b>(30)</b>	(105)
<b>Net cash used in financing activities by discontinued operations</b>		
Dividends paid to minority interests	<b>-</b>	-
<b>Net cash used in financing activities by discontinued operations</b>	<b>-</b>	-

### 30 Analysis of net debt

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

<b>Net debt</b>	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowing £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Gross debt £m	Net debt £m
1 October 2005	281	(33)	(2,637)	(2,670)	(60)	24	(2,706)	(2,425)
Cash flow	574	(27)	674	647	15	-	662	1,236
Exchange movements	(7)	3	71	74	2	-	76	69
Acquisitions and disposals (excluding cash and overdrafts)	-	1	(1)	-	1	-	1	1
Other non-cash movements	-	-	52	52	(15)	(13)	24	24
<b>30 September 2006</b>	<b>848</b>	<b>(56)</b>	<b>(1,841)</b>	<b>(1,897)</b>	<b>(57)</b>	<b>11</b>	<b>(1,943)</b>	<b>(1,095)</b>
1 October 2006	848	(56)	(1,841)	(1,897)	(57)	11	(1,943)	(1,095)
Cash flow	(11)	(66)	305	239	15	-	254	243
Exchange movements	2	3	68	71	1	-	72	74
Acquisitions and disposals (excluding cash and overdrafts)	-	1	-	1	6	-	7	7
Other non-cash movements	-	-	33	33	(15)	(11)	7	7
<b>30 September 2007</b>	<b>839</b>	<b>(118)</b>	<b>(1,435)</b>	<b>(1,553)</b>	<b>(50)</b>	<b>-</b>	<b>(1,603)</b>	<b>(764)</b>

Other non-cash movements includes amortisation of the fair value adjustment in respect of the £250 million sterling Eurobond redeemable in 2014 of £4 million, fair value debt adjustment of £4 million, swap monetisation credit of £25 million and other £1 million.

### 31 Contingent liabilities

<b>Contingent liabilities</b>	<b>2007</b>	2006
	<b>£m</b>	£m
Performance bonds and guarantees and indemnities of associated undertakings	<b>227</b>	203

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 cooperated fully with the UN throughout.

In February 2007, the Group's Portuguese business, Eurest (Portugal) Sociedade Europeia Restaurantes LDA, was visited by the Portuguese Competition Authority (PCA) as part of an investigation into possible past breaches of competition law by the Group and other caterers in the sector. The PCA investigation relates to a part of the Portuguese catering business which services mainly public sector contracts. The Group is cooperating fully with the PCA's ongoing investigation. Revenues of the Portuguese business for the year ended 30 September 2007 were £90 million (€134 million). It is likely that the investigation will take several months to complete and its outcome cannot be predicted at this point.

It is not currently possible to quantify any potential liability which may arise in respect of these matters. The directors currently have no reason to believe that any potential liability that may arise would be material to the financial position of the Group.

The Group, through a number of its subsidiary undertakings, is, from time to time, party to various other legal proceedings or claims arising from its normal business. Provisions are made as appropriate. None of these proceedings is regarded as material litigation.

The Group has provided a guarantee to one of its joint venture partners over the level of profits which will accrue to them in future periods. The maximum amount payable under this guarantee is £35 million, which would be payable in respect of the period from 1 July 2007 to 31 December 2010. Based on the latest management projections, no liability is expected to arise in relation to this guarantee and accordingly, no provision has been recorded at 30 September 2007 (2006: nil).

### 32 Capital commitments

<b>Capital commitments</b>	<b>2007</b>	2006
	<b>£m</b>	£m
Contracted for but not provided for	<b>23</b>	30

### 33 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:

	2007			2006		
	Operating leases			Operating leases		
	Land and buildings	Other assets	Other occupancy rentals	Land and buildings	Other assets	Other occupancy rentals
	£m	£m	£m	£m	£m	£m
<b>Operating lease and concessions commitments</b>						
Falling due within 1 year	40	41	26	47	46	43
Falling due between 2 and 5 years	111	54	61	111	51	104
Falling due in more than 5 years	71	5	33	106	6	71
<b>Total</b>	<b>222</b>	<b>100</b>	<b>120</b>	<b>264</b>	<b>103</b>	<b>218</b>

### 34 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 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 note 3 of the Company's Annual Report. During the year there were no material transactions or balances between the Group and its key management personnel or members of their close family.

### 35 Post balance sheet events

On 1 October 2007 the Group acquired Propoco Inc, a leading regional provider of facilities management services to the US healthcare market, for a total consideration of £38 million. £36 million was paid at closing, with the remaining £2m being deferred for 12 months.

On 12 November 2007 the Group made application to the UK Listing Authority and the London Stock Exchange for a block listing of 80,500,000 ordinary shares of 10p each to be admitted to the Official List. These shares will rank pari passu with the existing ordinary shares of the Group and will be issued in connection with the future exercise of options over 30 million shares granted under the terms of the Group's Share Option Plan; 40 million shares granted under the terms of the Group's Management Share Option Plan; 5 million shares under the terms of the Group's Savings-Related Share Option Scheme; and the future release of 5.5 million shares under the Group's Long-Term Incentive Plan.

The Group's share buyback programme continued after the balance sheet date. Between 1 October 2007 and 23 November 2007, the Group repurchased for cancellation 34 million ordinary shares for a total consideration of £105 million, bringing the total number of shares repurchased since the buyback programme began to 273 million shares for a total consideration of £825 million (before brokers commission and stamp duty).